

The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

# COMPREHENSIVE HOUSING MARKET ANALYSIS

# Urban Honolulu, Hawaii

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

As of January 1, 2021



Share on: [!\[\]\(e3f8612927870f2e0f9f5989e6dd3064\_img.jpg\)](#) [!\[\]\(a86c7d1c9cb81c81614634a31267440d\_img.jpg\)](#) [!\[\]\(ce158fc5e55633398941d0898ae45661\_img.jpg\)](#)



# 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 county mainly includes the island of Oʻahu and most of the Northwestern Hawaiian Islands—a collection of small islands and atolls that are largely uninhabited. Honolulu County contains the largest share of the Hawaiian population, despite being the second smallest county by land area in the state (following Kalawao County on the island of Molokai).

The current population of the HMA is estimated at 970,600.

Honolulu, which means “place of shelter” in the Hawaiian language, is the largest city in Hawaii and the state capital. The city is home to Fort Shafter and the Tripler Army Medical Center, which are among the nine U.S. military installations in the HMA. The largest installation in the HMA is Joint Base Pearl Harbor-Hickam, which is located 8 miles west of the city of Honolulu. In addition to the military, the HMA has a prominent tourism industry, and the area typically receives approximately 60 percent of all visitors to Hawaii.



## 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



**Weak:** Nonfarm payrolls in the Urban Honolulu HMA declined during 2020 by 53,000 jobs, or 11.2 percent, to a total of 418,800 jobs.

After 8 consecutive years of economic expansion following the Great Recession, economic conditions in the HMA have weakened since 2019. Nonfarm payroll losses that began in 2019 had deepened by 2020 following interventions to slow the spread of COVID-19. The tourism industry has been severely impacted during the pandemic, and industry job losses led overall declines in both the HMA and the state. The gradual reopening of businesses in the second quarter of 2020 and the introduction of the Hawaii Safe Travels program by the fourth quarter of 2020 had a positive impact on the HMA economy by contributing to a partial recovery in jobs during the past 8 months. That recovery is expected to continue during the 3-year forecast period, and nonfarm payroll growth in the HMA is expected to average 2.2 percent a year.

### Sales Market



**Slightly Tight:** The average home sales price in the Urban Honolulu HMA rose 5 percent, to \$731,000, during 2020, and the inventory of homes for sale has declined nearly every year since 2010.

The sales housing market in the HMA is slightly tight despite the contraction in the economy, with an estimated 0.9-percent vacancy rate, down from 1.1 percent in 2010 because of a reduced number of homes for sale. During the next 3 years, demand is estimated for 1,900 new homes, which is expected to increase slightly in the second and third years of the forecast period from improved household growth as the economy continues to recover. The 790 homes under construction will satisfy some of the forecast demand.

### Rental Market



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

Rental housing market conditions in the HMA are slightly tight. The overall vacancy rate is estimated at 4.9 percent, down from 5.9 percent in 2010 when conditions were balanced. An increase in renter households since 2010 has contributed to the absorption of vacant rental units and the decline in the vacancy rate. During the forecast period, demand in the HMA is expected for 2,025 rental units. The 1,500 rental units under construction will satisfy a portion of demand during the forecast period.

## TABLE OF CONTENTS

Economic Conditions 4

Population and Households 12

Home Sales Market 16

Rental Market 24

Terminology Definitions and Notes 31

### 3-Year Housing Demand Forecast

Urban Honolulu HMA		
	Total Demand	Under Construction
	1,900 Homes	790 Homes
	2,025 Units	1,500 Units

Notes: Total demand is for year-round households only. Demand is the estimated production necessary to achieve balanced market conditions by the end of the forecast period on January 1, 2024. Housing under construction is as of January 1, 2021, and excludes seasonal housing underway. Source: Estimates by the analyst



## Economic Conditions

### Largest Sector: Government Sector

The military and the tourism industry have traditionally supported economic growth in the HMA; before the COVID-19 pandemic, they contributed a combined \$10 billion in annual economic impact on Hawaii from 2017 through 2019 (Chamber of Commerce Hawaii and Hawaii Tourism Authority).

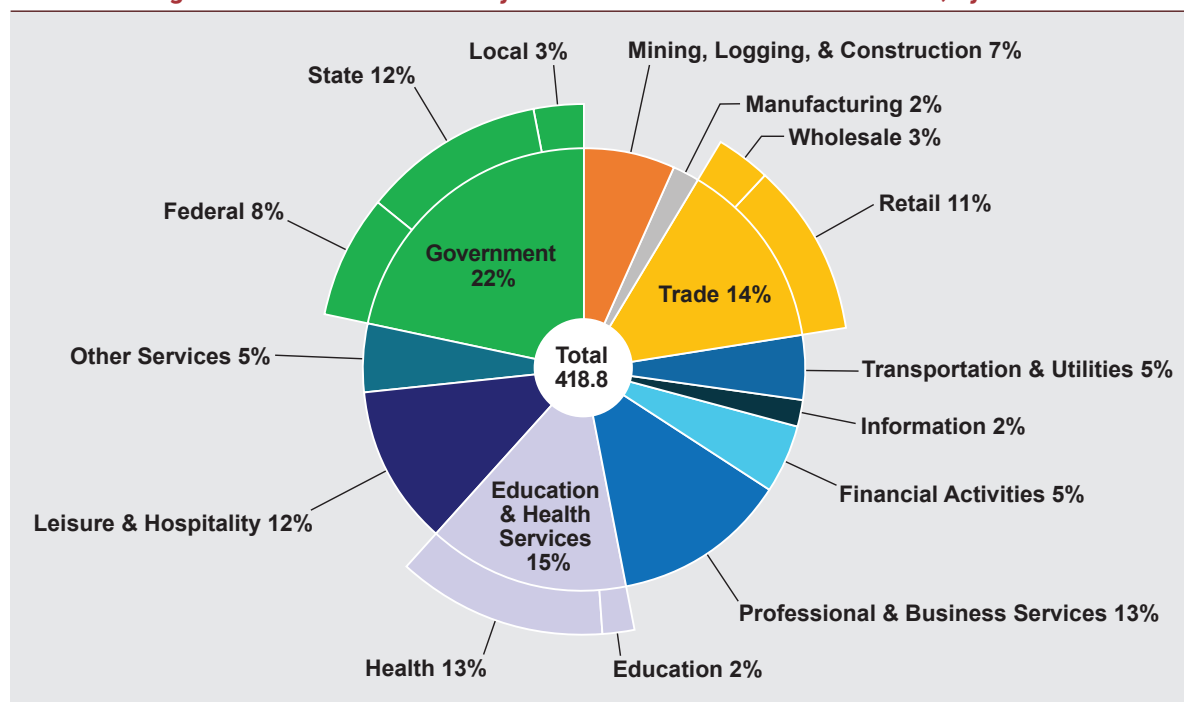
### Economic Factors in the HMA

Since the mid-20th century, the Urban Honolulu HMA has been a major employment center for the military and the tourism industry. 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 continues to be the single largest economic factor in the HMA, even after the rise in tourism during the mid-20th century. Greater commercialization of air travel during the 1950s, along with Hawaii achieving statehood in 1959, helped transform the HMA into a major tourist destination by the early 1960s. Since then, the HMA has been among the most popular tourist destinations in the nation, and the area has typically received approximately 60 percent of all visitors to Hawaii each year (Hawaii Tourism Authority). Before the COVID-19 pandemic, the

number of annual visitors and visitor spending in the HMA each increased an average of 4 percent a year from 2011 through 2019, reaching nearly 6.2 million visitors and more than \$8.1 billion in spending by the end of 2019 (Hawaii Tourism Authority). Those gains supported the leisure and hospitality sector following the Great Recession, which had been the second largest sector in the HMA until recently (Figure 1). As in all areas throughout the nation, countermeasures to slow the spread of COVID-19 impacted the tourism industry during 2020, contributing to a significant contraction in overall job growth—see the Current Economic Conditions section for more details.

The presence of the military is vital to the economy in the HMA, which has all six branches of the U.S. armed forces. Nine of the 11 military installations across the state are in the HMA, including Joint Base

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



Notes: Military jobs are not included in these data. Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2020. Source: U.S. Bureau of Labor Statistics

Pearl Harbor-Hickam (Photo 1), Schofield Barracks, and Marine Corps Base Hawaii, which are the three largest employers in the HMA (Table 1). Military installations throughout the HMA employ more than 50,350 military and 15,100 civilian personnel combined, which account for

97 and 73 percent of respective personnel throughout Hawaii (Defense Manpower Data Center, 2020). The military supports growth in the defense industry through the award of contracts to private businesses within the HMA. The Department of the Navy is the largest contracting entity in Hawaii, with more than \$9 billion in defense contracts awarded during the past decade (Hawaii Defense Economy). In addition, the total value of non-Navy defense contracts in Hawaii is more than \$2 billion annually, with nearly all that occurring in the HMA.

Photo 1. Joint Base Pearl Harbor-Hickam



Source: MilitaryBases.com

Table 1. Major Employers in the Urban Honolulu HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Pearl Harbor-Hickam	Government	23,400
Schofield Barracks	Government	17,600
Marine Corps Base Hawaii	Government	9,400
The Queen’s Health Systems	Education & Health Services	7,475
Hawaii Pacific Health	Education & Health Services	7,275
Fort Shafter	Government	6,700
Hawaiian Electric Industries, Inc.	Transportation & Utilities	3,850
Hawaii Health Systems Corporation	Education & Health Services	2,550
Kaiser Foundation Health Plan, Inc.	Education & Health Services	2,475
Securitas Security Services USA, Inc.	Professional & Business Services	2,300

Notes: Data include military personnel, who are generally not included in employment survey data. Data exclude local school districts.  
Sources: Hawaii Department of Budget and Fiscal Services; Defense Manpower Data Center

Economic Periods of Significance in the HMA

A Period of Expansion: 2001 Through 2007

Nonfarm payroll growth in the HMA averaged 6,100 jobs, or 1.4 percent, a year from 2001 through 2007 (Figure 2), accounting for 59 percent

of job growth in Hawaii. The rate of growth in the HMA 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. Approximately 62 percent 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 averages of 1,400, 1,300, and 1,100 jobs, or 2.7, 6.2, and 2.2 percent, a year, 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

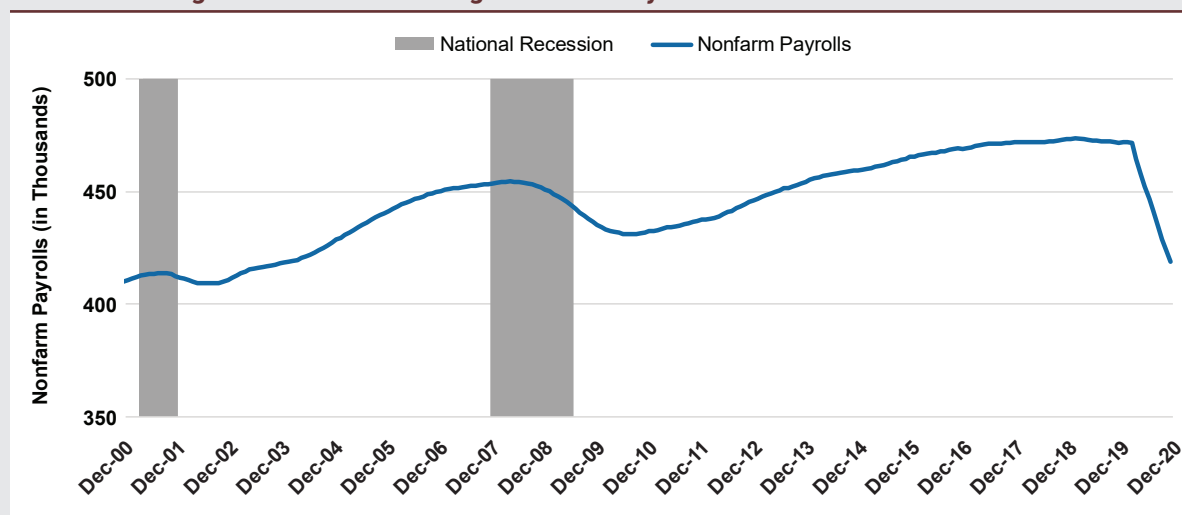


percentage gain, mostly because of growth in the construction subsector. Greater residential building activity from strong sales housing market conditions during most of the period partly contributed to subsector gains.

### 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 7,100 jobs, or 1.6 percent, a year from 2008 through 2010. Overall, the rate of decrease in the HMA was below Hawaii and the nation, which declined by averages of 2.1 and 1.9 percent, respectively, a year. 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 2.0, 6.7, and 7.4 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 loss of 1,100 jobs 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

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



Notes: Military jobs are not included in these data. Data represent a 12-month moving average.

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

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 Inc and 1,000 jobs at Norwegian Cruise Line America when its second cruise ship was pulled out of service.

### Economic Recovery and Expansion: 2011 Through 2018

Following the economic contraction, nonfarm payrolls in the HMA expanded by an average of 5,100 jobs, or 1.1 percent, annually from 2011 through 2018, accounting for 63 percent of jobs added in Hawaii. The rate of growth, however, was slower than the period of expansion during the previous decade and below the rates for both Hawaii and the nation, which were up by respective averages of 1.4 and 1.7 percent annually. Despite slower growth, nonfarm payrolls in the HMA had surpassed prerecession levels by the end of 2013. Overall nonfarm payroll gains from 2011 through 2018 were led by the leisure and hospitality; the education and health services; and the mining, logging, and construction sectors, which accounted for a combined 65 percent of job gains in the HMA. An increase of 700 jobs 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 1.2 percent, a year. The leisure and hospitality sector added the most jobs during the 8-year

period, up by an average of 1,800 jobs, or 2.7 percent, annually because of increased tourism following the Great Recession. The number of visitors to the HMA increased 37 percent from 2011 through 2018; that

increase partly influenced the construction of eight hotels at a combined cost of nearly \$938 million, adding more than 620 jobs in the leisure and hospitality sector. That construction also contributed to job gains in the mining, logging, and construction sector, which was also up 2.7 percent, or by 700 jobs. In addition to hotel construction, greater levels of residential building activity resulting from generally tighter sales and rental market conditions following the Great Recession also contributed to sector gains.

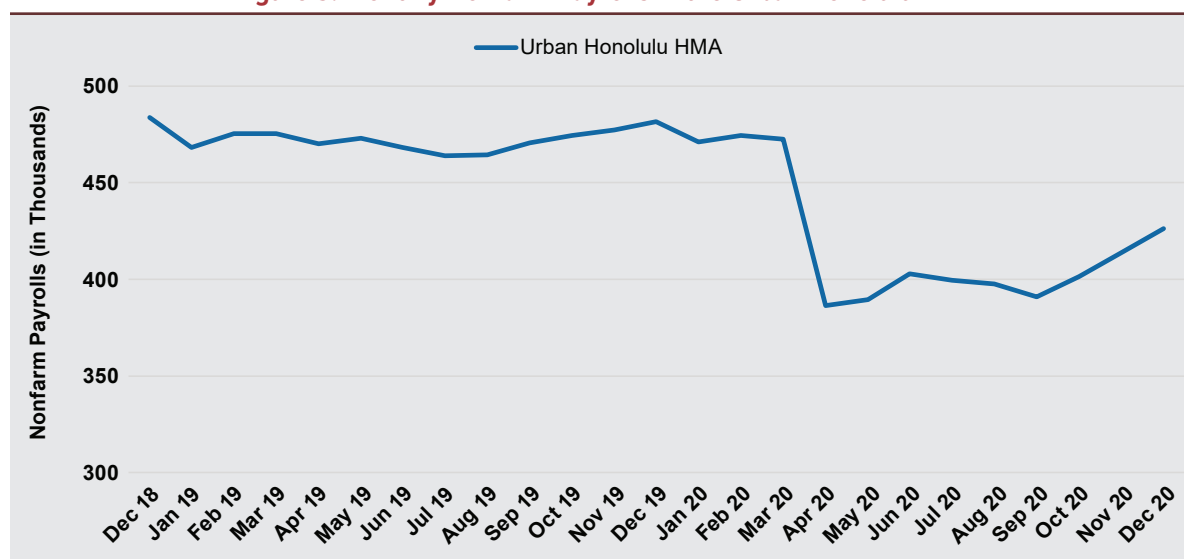
## Current Economic Conditions: A Contraction in 2019 and the COVID-19 Pandemic

Unlike many areas in the nation, economic conditions in the HMA began to weaken by 2019, when nonfarm payrolls declined by 1,500 jobs, or 0.3 percent. The slight contraction in 2019 occurred mostly because of job losses in the manufacturing sector—as the HMA shifted away from food production—and a rise in e-commerce that negatively impacted the retail trade subsector. During 2019, payrolls in the manufacturing sector were down by 500 jobs, or 1.3 percent, whereas jobs in the wholesale and retail trade sector were down by 1,300 jobs, or 2.1 percent, mostly due to 1,200 jobs lost in the retail trade subsector.

Those year-over-year job losses continued at a slow pace during the first 2 months of 2020 before contracting significantly in March and April of 2020 following interventions taken in mid-March to slow the spread of COVID-19—including enforcing physical distancing and discouraging nonessential travel. Nonfarm payrolls in the HMA declined sharply by 87,900

jobs, or 18.5 percent, from March to April 2020 (not seasonally adjusted, Figure 3). By the third quarter of 2020, businesses began a measured reopening, and by the end of December 2020, the HMA was in Tier 2 of the Hawaii State phased reopening plan—which allows nonessential travel and many establishments to operate while adhering to state-mandated social distancing requirements and health safety standards. Overall, approximately 20 percent of all businesses in Hawaii that closed at the onset of the pandemic had reopened by the end of the year, ranking fifth among states in the nation in terms of the percentage of businesses reopening (*Pacific Business News*). In addition, the Hawaii Safe Travels program was introduced by the fourth quarter of 2020, which, along with the measured reopening, has contributed to a partial

**Figure 3. Monthly Nonfarm Payrolls in the Urban Honolulu HMA**



Note: Not seasonally adjusted monthly data.  
Source: U.S. Bureau of Labor Statistics



recovery in jobs during the past 8 months. From May through December 2020, nonfarm payrolls in the HMA increased by 39,800 jobs. That gain, however, did not offset losses earlier in the year, and nonfarm payrolls in the HMA decreased overall during 2020 by 53,000 jobs, or 11.2 percent, compared with the number of jobs during 2019 (Table 2). The rate of job decline in the HMA was slower than losses in Hawaii but faster than the nation, which had respective job declines of 12.6 and 5.8 percent.

Job losses in the HMA during 2020 occurred in nearly all sectors of the economy, with the greatest declines in sectors that rely heavily on nonessential in-person interactions. Many of those jobs were in the leisure and hospitality sector, which had contracted more severely than the other sectors. Nonfarm payrolls in the sector declined by 27,400 jobs, or 36.1 percent, accounting for nearly 52 percent of the overall job loss in the HMA. A portion of those losses resulted from layoffs of full-time employees at businesses with a total staff of at least 50 people. Since March 2020, more than 7,275 of those full-time employees had been laid off because of either temporary or permanent closures of 29 hotels and restaurants throughout the HMA (Hawaii Workforce Development Council, [Hawaii Worker Adjustment and Retraining Notification](#)).

Notable losses during 2020 also occurred in the transportation and utilities and the government sectors, largely resulting from pandemic-related

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Urban Honolulu HMA, by Sector**

	12 Months Ending December 2019	12 Months Ending December 2020	Absolute Change	Percentage Change
<b>Total Nonfarm Payroll Jobs</b>	<b>471.8</b>	<b>418.8</b>	<b>-53.0</b>	<b>-11.2</b>
<b>Goods-Producing Sectors</b>	<b>38.0</b>	<b>36.7</b>	<b>-1.3</b>	<b>-3.4</b>
Mining, Logging, & Construction	27.0	27.5	0.5	1.9
Manufacturing	11.0	9.2	-1.8	-16.4
<b>Service-Providing Sectors</b>	<b>433.8</b>	<b>382.1</b>	<b>-51.7</b>	<b>-11.9</b>
Wholesale & Retail Trade	61.8	57.4	-4.4	-7.1
Transportation & Utilities	24.4	20.0	-4.4	-18.0
Information	7.4	6.5	-0.9	-12.2
Financial Activities	23.0	21.9	-1.1	-4.8
Professional & Business Services	57.2	52.6	-4.6	-8.0
Education & Health Services	65.5	63.2	-2.3	-3.5
Leisure & Hospitality	75.8	48.4	-27.4	-36.1
Other Services	21.7	19.7	-2.0	-9.2
Government	97.2	92.4	-4.8	-4.9

Notes: Military jobs are not included in these data. Based on 12-month averages through December 2019 and December 2020. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

countermeasures to keep people safe. The transportation and utilities sector had the second fastest rate of job decline in the HMA, down 18.0 percent, or by 4,400 jobs. The financial strain from reduced passenger travel since the onset of the pandemic had contributed to more than 1,050 layoffs at Hawaiian Airlines by July 2020. Overall, the air transportation industry lost 1,900 jobs during 2020, compared with a 400-job gain during 2019. In the government sector, jobs were down by 4,800, or 4.9 percent, which accounted for the second largest decrease in nonfarm payrolls during 2020. The public educational services industry was particularly impacted by the pandemic; a combined 4,400 jobs were lost in the educational services industry of the state government subsector, which accounted for the largest share of job losses in the government sector overall.

In contrast to those sector declines, the mining, logging, and construction sector increased by 500 jobs, or 1.9 percent. Sector gains resulted from continued growth in construction, which had been deemed essential since the onset of the pandemic. Greater development of rental housing along with construction in the transit, medical, and defense industries partly contributed to that growth. Among those developments, the



Honolulu High-Capacity Transit Corridor Project began construction on a 20-mile light rail line, extending from the Ewa Plain area of west O'ahu to downtown Honolulu (indicated as a purple line in Map 1). The first phase of the line is currently under way, with completion of the first set of stations expected in late 2021. One of the stations underway is adjacent to the recently expanded \$38 million Queen's Medical Center West O'ahu, which added an ambulatory medical center in the summer of 2020. Additional hospital expansions that were under way during 2020 include the \$16 million Kaiser Permanente in Kapolei, also in west O'ahu, with completion expected in late 2021. In the defense industry, construction projects include the \$301 million command-and-control facility at the Joint Base Pearl Harbor-Hickam. Completion of the facility is expected in early 2022. In addition, the \$12.7 million initial overhaul of the Pearl Harbor drydock that began in May 2020 was completed in October 2020. The project is part of a \$2.0 to \$4.0 billion drydock facility that is currently planned by the U.S. Navy, which will be used for ship and submarine repairs at the base.

### COVID-19 and the HMA Tourism Industry

As in all areas throughout the nation, the tourism industry in the HMA was severely impacted by the COVID-19 pandemic. Travel restrictions and social-distancing measures to keep people safe have resulted in a low number of visitors to the

**Map 1. Honolulu High-Capacity Transit Corridor**



Source: Honolulu Authority for Rapid Transportation

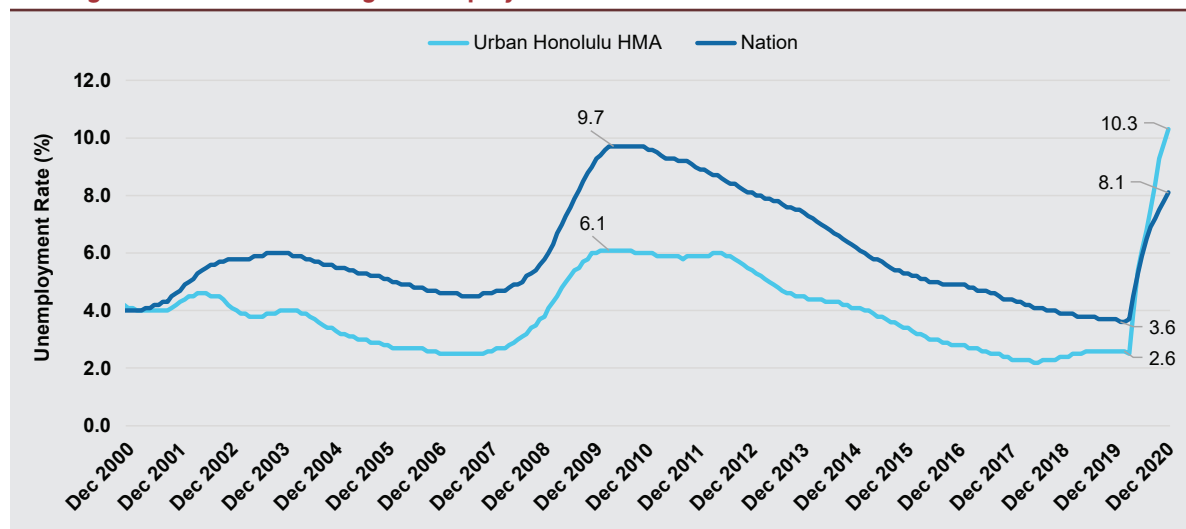
HMA; however, the Hawaii Safe Travels program contributed to an improvement in the number of visitors in recent months. The travel program allowed some travelers to forego the required 10- to 14-day quarantine period with an approved negative COVID-19 test result. The program started with inter-island travel before expanding to include all domestic U.S. travelers to the Hawaiian Islands. Visitors to the HMA totaled 112,856 in December 2020, increasing nearly two-fold each month since the travel program began in October 2020. Before the program, monthly visitors to the HMA averaged only 10,600 from May to September 2020. As the program facilitated greater domestic travel, the volume of domestic visitors reached 70 percent of their pre-pandemic levels. Despite that increase, the total number of visitors to the HMA in December 2020 was down 80 percent from the 558,346 visitors a year ago because of a loss in international visitors, which continued to suppress hotel occupancy. In December 2020, hotel occupancy in the HMA was only 23.6 percent—down

from 83.1 percent a year ago—whereas hotel revenue decreased 84 percent to \$36.7 million from \$226.0 million a year ago (Hawaii Tourism Authority). As of December 2020, the HMA had a total of 847 available hotel rooms, down nearly 11 percent from a year ago partly due to rooms taken offline for hotel renovations. Despite the downturn in the leisure and hospitality sector, hotel property owners had taken advantage of reduced visitor occupancy by temporarily closing and upgrading their hotels. Outrigger Reef Waikiki Beach Resort began an \$80 million renovation of its 635-room property in March 2020, which will add new amenities and a combined 23 rooms and suites when it fully reopens in April 2021. In addition, the Kaimana Beach Hotel closed during early 2020 to renovate all 122 rooms before reopening in December 2020.

## Unemployment Trends

As the economy of the HMA contracted during 2020, the average unemployment rate increased to 10.3 percent from 2.6 percent a year earlier and was higher than the previous peak of 6.1 percent during the 12 months ending January 2010 (Figure 4). In comparison, the average unemployment rate in the HMA during 2020 was lower than that of Hawaii but higher than that of the nation, which had respective rates of 11.8 and 8.1 percent. The recent increase in the average unemployment rate in the HMA follows the nearly 8 consecutive years of decline that occurred from 2011 through 2018—a period when economic conditions were strong.

**Figure 4. 12-Month Average Unemployment Rate in the Urban Honolulu HMA and the Nation**



Note: Based on the 12-month moving average.  
Source: U.S. Bureau of Labor Statistics

## Employment Forecast

During the 3-year forecast period, the easing of social-distancing restrictions and greater travel to the HMA are expected to contribute to continued job recovery that began in May 2020. As a result, nonfarm payrolls in the HMA are expected to increase an average of 2.2 percent annually, reflecting modest job gains in the first year of the forecast period before accelerating slightly by the second year. Notable payroll gains are expected in the mining, logging, and construction; the education and health services; and the leisure and hospitality sectors. Continued residential development and work on the Honolulu High-Capacity Transit Corridor is expected to support jobs in the construction subsector during the next 3 years. The second phase of the transit corridor is expected to be completed in 2022, with completion of the third phase by 2025. In the education and health services sector, the Kaiser Permanente expansion in Kapolei is expected to add jobs when completed during the first year of the forecast; jobs in the leisure and hospitality sector, however, are expected to continue recovering, although at a slower pace than the other sectors. Contributing to sector gains will be the \$549 million Mana'olana Place that is currently underway. The development will have 125 hotel rooms and will include 107 luxury condominium units in a section called The Residences at Mandarin Oriental. Both the hotel and the residential units will be in a single

36-story tower. The hotel portion is expected to add approximately 40 jobs in the leisure and hospitality sector when it is completed in 2023. Additionally, although not included in the nonfarm payroll data, Schofield Barracks is expected to add nearly 200 military personnel by the end of 2021 (U.S. Army), contributing to overall economic stability in the HMA.





# Population and Households

**Current Population: 970,600**

The population of the HMA has declined nearly each year since 2013, as higher home prices and reductions in military personnel during part of that period have contributed to net out-migration from the HMA.

## Current Population Facts

The population of the Urban Honolulu HMA is estimated at 970,600 as of January 1, 2021 (Table 3). Overall, the HMA accounts for approximately 69 percent of the resident population in Hawaii, which had a population of nearly 1.42 million as of July 2019 (U.S. Census Bureau). More than one-third of HMA residents live in the largest city, Honolulu, which has 345,100 residents.

## 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 the number of military personnel—some of whom bring dependents. In addition, net natural change also supported overall population growth in the HMA during the period (Figure 5).

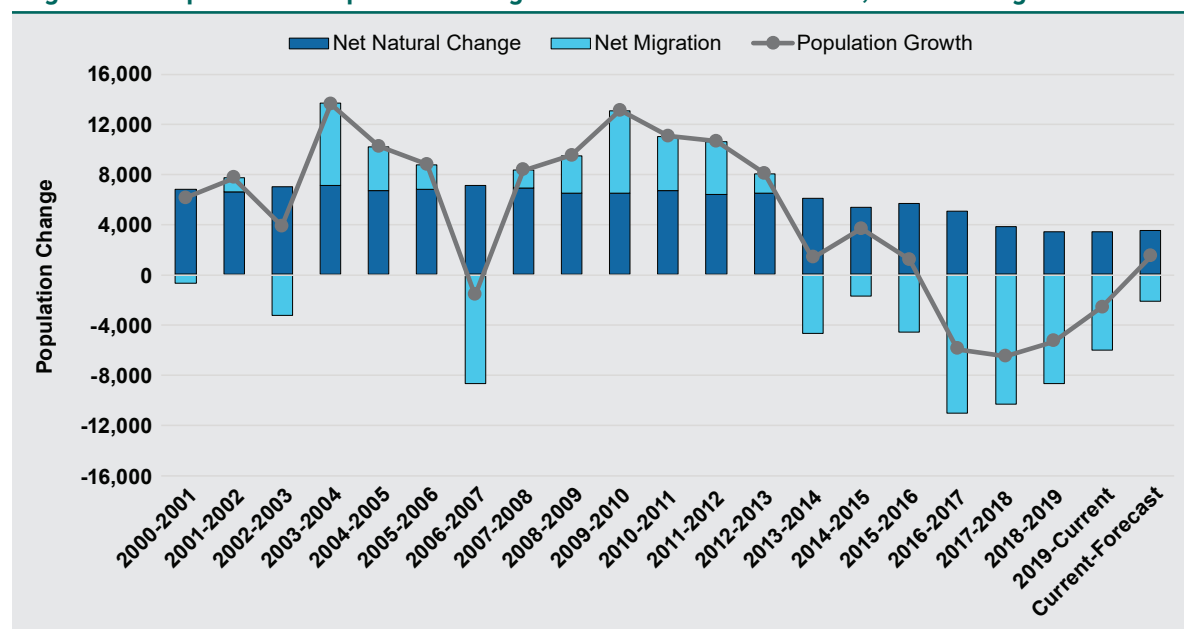
**Table 3. Urban Honolulu HMA Population and Household Quick Facts**

Population Quick Facts	2010	Current	Forecast
	Population	953,207	970,600
	Average Annual Change	7,700	1,625
	Percentage Change	0.8	0.2
Household Quick Facts	2010	Current	Forecast
	Households	311,047	319,300
	Average Annual Change	2,450	770
	Percentage Change	0.8	0.2

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 (January 1, 2021) to January 1, 2024.

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

**Figure 5. 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 (January 1, 2021) to January 1, 2024.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

During the early 2000s, before 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 the economic expansion during most of that period, net out-migration occurred nearly each year, averaging 1,200 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 have contributed to increased homebuying and a surge in the number of residents moving to the HMA. From 2003 to 2006, population growth accelerated to an average of 1.2 percent, or 10,900 people, annually, with net in-migration averaging 4,000 people a year. People mainly came from Asia, with a smaller portion coming from both the Los Angeles-Long Beach-Anaheim, CA and San Diego-Carlsbad, CA MSAs (Internal Revenue Service migration data). That migration was due to the proximity to the mainland and flows between military bases. The strong military presence in the HMA also supported people coming from the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA, trends that are similar to the most recent data (Table 4).

Net out-migration returned by the end of 2006 as home prices rose at the height of the housing market expansion, contributing to net out-migration of 8,725 people and a decline in the population by 1,625 people, or 0.2 percent, from 2006 to 2007. Significantly fewer people

moved to the HMA from international locations and an even greater number of HMA residents moved to the mainland (Internal Revenue Service migration data)—including the Las Vegas, NV MSA, where home prices averaged at least \$118,100 less than the HMA. By the end of 2007, the draw of residents away from the HMA to purchase homes elsewhere slowed as housing markets across the nation began to weaken. In addition, gains in military personnel occurred each year from 2009 to 2013 (Figure 6). As a result, net

**Table 4. Migration Flows in the Urban Honolulu HMA: 2014–2018**

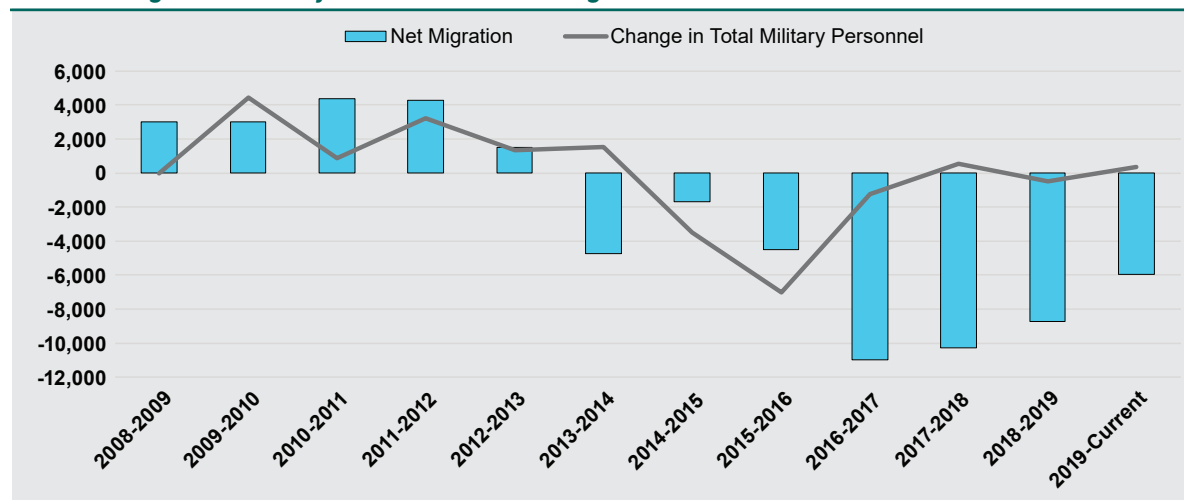
Into the HMA	
Asia	7,620
Los Angeles-Long Beach-Anaheim, CA MSA	2,343
San Diego-Carlsbad, CA MSA	1,662
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	1,616
Out of the HMA	
Las Vegas-Henderson-Paradise, NV MSA	2,450
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	2,311
Los Angeles-Long Beach-Anaheim, CA MSA	2,281
San Diego-Carlsbad, CA MSA	2,245

MSA = metropolitan statistical area.

Note: 2014–2018 American Community Survey, 5-year data.

Source: U.S. Census Metro-to-Metro Migration Flows

**Figure 6. Military Personnel and Net Migration Trends in the Urban Honolulu HMA**



Note: The current date is January 1, 2021.

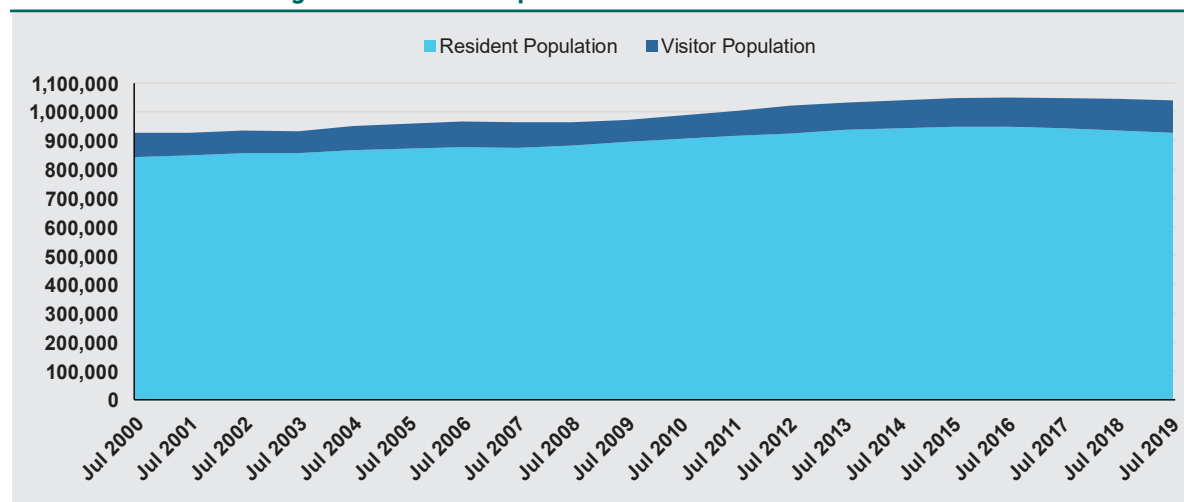
Sources: U.S. Census Bureau; Defense Manpower Data Center

in-migration returned overall from 2007 to 2013, averaging 3,525 people annually, and population growth accelerated to an average of 1.1 percent, or 10,100 people, a year. Since 2013, the escalation in home prices and a significant reduction in the number of military personnel during part of that period contributed to net out-migration returning to an average of 6,650 people a year. As a result, the population of the HMA declined by an average of 2,050, or 0.2 percent, a year; however, that rate of decline was slower than during the early 2000s.

## Visitor Population in the Urban Honolulu HMA

In any given year, longer termed 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, which may place additional pressures on the HMA housing markets. From 2000 to 2019, the visitor population added approximately 8 to 11 percent above the resident population (Figure 7), the latter of which increased nearly each year. Overall, visitor population in the HMA increased by an average of nearly 3,400, or 3.5 percent, annually from 2000 to 2019, reaching a high of 113,500 by 2019 (Hawaii State Department of Business, Economic Development and Tourism). It is expected that this had slowed dramatically during 2020 due to reduced tourism during the COVID-19 pandemic.

Figure 7. 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. Resident population in this figure are those who are physically present in the HMA. 2019 data are the most recent 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 the 2000s. The number of households in the HMA is currently estimated at 319,300, up an average of 770, or 0.2 percent, annually since 2010, compared with an average increase of 2,450, or 0.8 percent, annually during the 2000s. Despite rising home prices since the Great Recession and the current economic contraction, the proportion of owner households in the HMA increased from 56.1 percent in 2010 to 56.5 percent currently (Figure 8). That increase was partly due to the development of residential communities, which added a greater number of affordable sales housing in recent years—see the Home Sales Market section below for more details.

## Military Household Trends

Overall, military household growth has increased since 2017, with notable increases in the number of military personnel; however, personnel levels remain below peak levels in 2014 due to reductions in force that occurred from 2015 to 2017. Overall, military households have been predominantly renters since



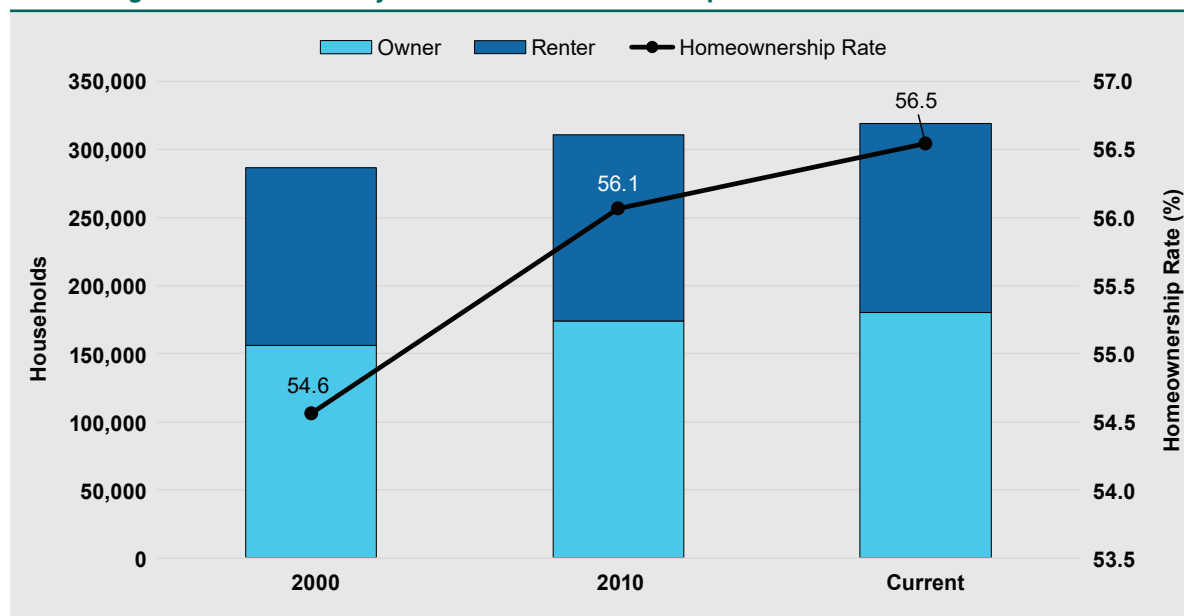
2010. Currently, these households account for an estimated 18 percent of renter households and 3 percent of owner households in the HMA, similar to the percentage in 2010. With respect to overall household growth in the HMA, growth in military households since 2010 has accounted for 8 percent of total renter household growth but less than 1 percent of owner household growth.

## Forecast

During the next 3 years, the resident population of the HMA is expected to increase by an average of 1,450, or 0.2 percent, a year, to reach 975,000 by the end of the forecast, reflecting reduced net out-migration during the first and second years and a return to net in-migration by the third year. Improved economic conditions, greater availability of telework, sustained growth in military personnel, and an increase in affordable housing are all expected to contribute to improved migration trends during the forecast period.

As migration improves, the number of households in the HMA is expected to grow during the forecast by an average of 530, or 0.2 percent, annually to reach 320,900. The share of owner

**Figure 8. Households by Tenure and Homeownership Rate in the Urban Honolulu HMA**



Note: The current date is January 1, 2021.

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

households is expected to continue increasing, reaching 56.6 percent of the total households in the HMA by the end of the forecast period. Military households are also expected to grow and account for a greater share of total renter households but a reduced share of owner households. Military renter households are expected to account for 19 percent of total renter households, whereas military owner households are expected to account for less than 2 percent of total owner households by the end of the forecast period.

# Home Sales Market

## Market Conditions: Slightly Tight

Despite recent job losses and net out-migration from the Urban Honolulu HMA each year since 2013, significantly lower levels of homes for sale have contributed to the tightening of sales market conditions compared with both a year ago and 2010.

## Sales Market Conditions

The sales housing market in the Urban Honolulu HMA is slightly tight. Current conditions tightened from balanced conditions a year ago and in 2010 but improved from tighter conditions during most of the mid to late 2010s. The estimated sales vacancy rate is currently 0.9 percent, down from 1.1 percent in 2010. The overall decline in the vacancy rate partly resulted from a 29-percent decrease in the inventory of homes for sale since 2008—from a peak of 6,550 during 2008 when the market was weakest to 4,675 during 2020 (CoreLogic, Inc.). The number of homes for sale declined 10 percent in 2020 alone, partly because some homeowners were reluctant to list their homes for sale during the COVID-19 pandemic. In addition, the relatively sustained rate of purchases of homes by absentee owners for occasional use—which have accounted for approximately one-half of home sales since 2010—has contributed to the reduction in the available inventory both since 2010 and during

the past year. The lower level of homes for sale led to a tightening of market conditions despite net out-migration each year since 2013. The months' supply of homes for sale declined to a low of 3.3 months in December 2020, compared with 6.2 months in March 2010. Months of supply in the HMA are generally higher than those in the nation (Table 5) because of a smaller pool of qualified buyers for homes priced at the higher end of the market.

## New and Existing Home Sales

Home sales in the HMA were generally high during the mid-2000s, averaging 22,600 homes sold annually from 2005 through 2007 (Zonda; Figure 9). The number of homes sold annually was the highest average in more than a decade despite net out-migration during part of that period. Lenient mortgage lending standards during the early to mid-2000s allowed a greater proportion of households to purchase homes and, along with a large number of absentee owner purchases (Figure 10), had contributed to a higher level of sales during that period. As lending standards had tightened and the economy had contracted by the end of the 2000s, home sales declined during 2008 and 2009 by an average of 4,550 homes, or 28 percent, a year, reaching a low of 9,950 homes sold in 2009. Declines in regular resales and new home sales accounted for the entire decrease, which were down by respective averages of 3,650 and 1,150 homes,

**Table 5. Home Sales Quick Facts in the Urban Honolulu HMA**

	Urban Honolulu HMA	Nation
<b>Vacancy Rate</b>	0.9%	NA
<b>Months of Supply</b>	3.3	1.6
<b>Existing Home Sales</b>	10,150	5,640,000
1-Year Change	-10%	6%
<b>New Home Sales</b>	530	811,000
1-Year Change	-35%	19%
<b>Existing Home Sales Price</b>	\$736,900	\$295,500
1-Year Change	5%	9%
<b>New Home Sales Price</b>	\$617,100	\$333,100
1-Year Change	1%	4%
<b>Mortgage Delinquency Rate</b>	5.0%	4.0%

NA = data not available.

Notes: The vacancy rate is as of January 1, 2021. Home sales and prices are for the 12 months ending December 2020. Months of supply and mortgage delinquency data are as of December 2020. Urban Honolulu HMA home prices are the average for 2020, and national home prices are the median for 2020.

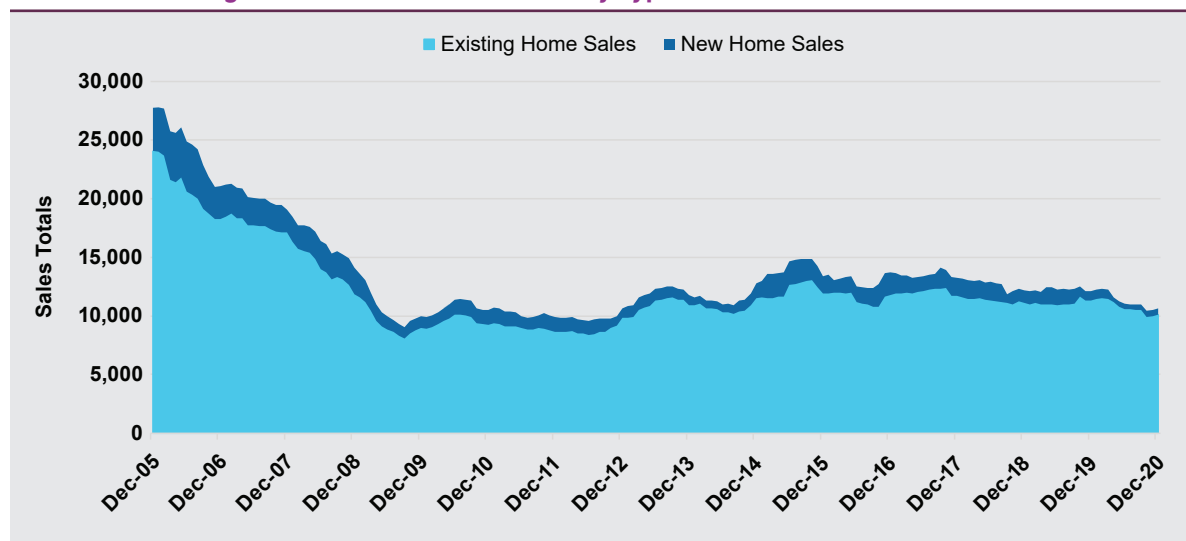
Sources: Vacancy rate—estimates by the analyst; months of supply—CoreLogic, Inc.; Urban Honolulu HMA home sales and prices—Zonda; national home sales and prices—National Association of Realtors® and Census Bureau/HUD



or 29 percent each, a year. Real estate owned (REO) sales were essentially unchanged during that 2-year period. The contraction in the sales market, however, was short, and home sales in the HMA increased during 2010 by 600 homes, or 6 percent, to 10,550 homes sold. Regular resales and new home sales, which were up by 270 and 280 homes, or 3 and 29 percent, respectively, accounted for most of the gain; REO sales also increased, up by only 40 homes, or 3 percent, that year.

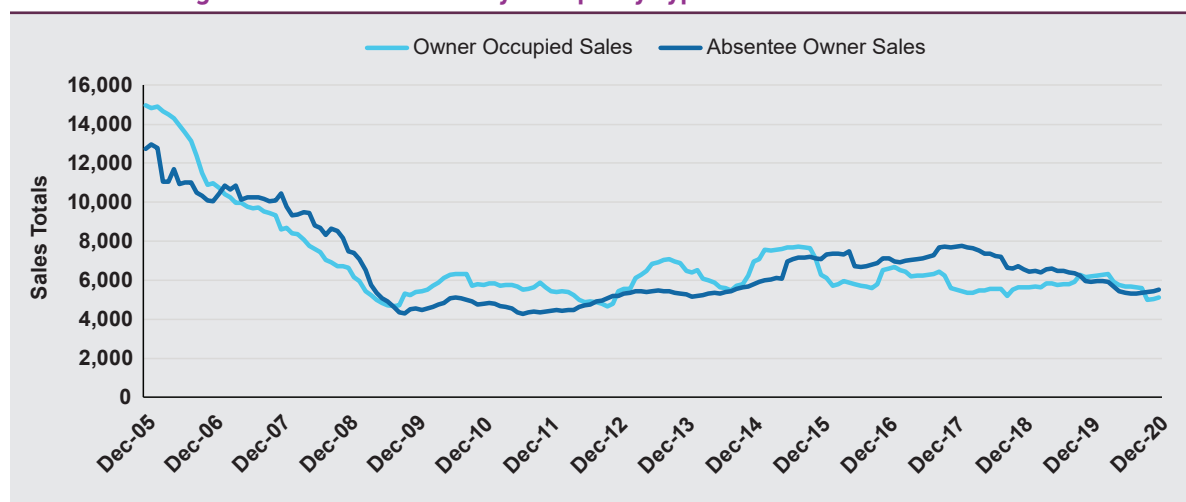
Since 2011, new and existing home sales have been relatively stable despite variations in net migration. This stability was partly attributed to the sizable share of absentee-owner purchases, which continued to account for roughly one-half of home sales in the HMA. From 2011 through 2019, new and existing home sales averaged 12,200 homes sold. During that period, gains in regular resales, which averaged 250 homes annually, were partly offset by declines in REO and new home sales, down by a combined average of 90 homes a year. Since 2019, home sales, however, have declined due to reduced available inventory. During 2020, a total of 10,650 homes were sold, down by 1,450 homes, or 12 percent, from 2019. Regular resales accounted for 71 percent of that overall decrease, which were down by 1,025 homes, or 12 percent, followed by new home sales, which declined by 290 homes, or 35 percent.

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



Source: Zonda

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



Source: Zonda



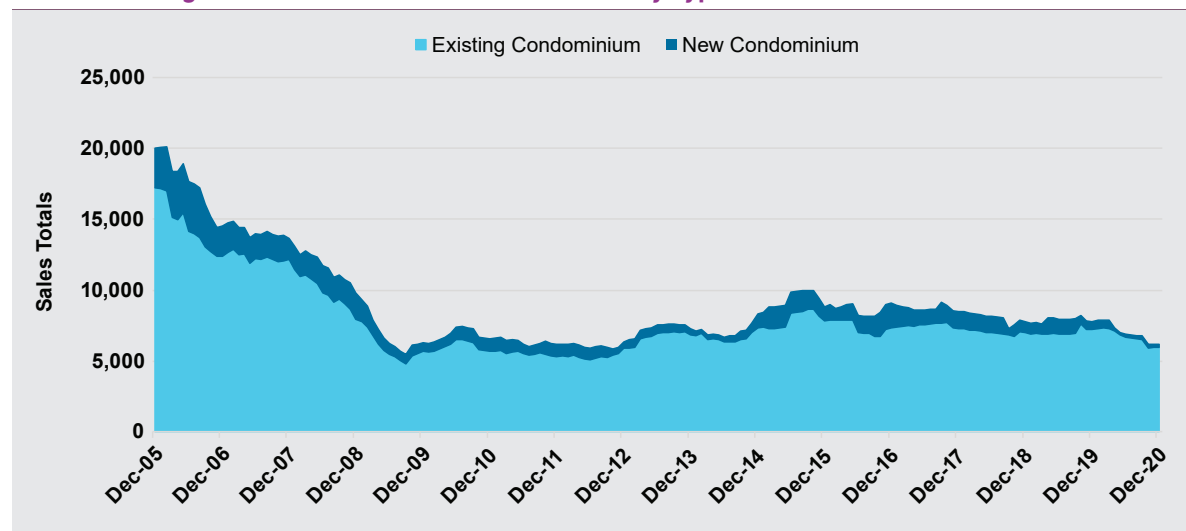
## Condominium Sales

Overall, since the mid-2000s, condominiums have accounted for nearly two-thirds of total home sales in the HMA, with single-family homes and townhomes accounting for the remaining one-third. A limited supply of developable land near job centers and resort areas, high development costs, and demand for both affordable and luxury sales housing contributed to the large share of condominiums in the HMA. As a result, trends in condominium sales have been similar to trends in total home sales since the mid-2000s. From 2005 through 2007, condominium sales averaged 16,050 homes sold annually before declining in 2008 and 2009, at an average of 32 percent annually, to a low of 6,325 homes sold in 2009 (Figure 11). As with total home sales, condominium sales increased during 2010, up by 250 homes, or 4 percent, before rising to an average of 7,800 homes sold annually from 2011 through 2019. Recently, low inventories of existing condominiums for sale have largely contributed to a decrease in overall condominium sales. During 2020, condominium sales declined by 1,575 homes, or 20 percent, to 6,200 homes sold. More than three-fourths of that decline was attributed to a decrease in existing condominium sales, which were down by 1,225 homes, or 17 percent.

## New and Existing Home Sales Prices

Low inventory levels during 2020 have also caused home prices in the HMA to rise. The

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



Source: Zonda

average home sales price increased 5 percent during 2020, to \$731,000. That price, however, was still down from a high of \$736,100 during 2017 because of price declines that averaged 3 percent a year during 2018 and 2019 despite strong market conditions during both those years. An increase in the completion of new homes at lower prices and a decrease in new luxury condominiums contributed to declining prices in 2018 and 2019; those trends have also caused the average new home sales price to be lower than the average existing home sales price each year since 2018 (Figure 12). During 2020, new home prices averaged \$617,100, up 5 percent from a year ago, but below the average existing home price of \$736,900, up 1 percent from a year ago. In terms of home sales by price range, homes priced near the lower- to mid-range accounted for a larger share of total home sales during 2020 (Figure 13), reflecting a slowdown in luxury home sales priced above \$800,000 and contributing to an overall easing in the growth of home prices.

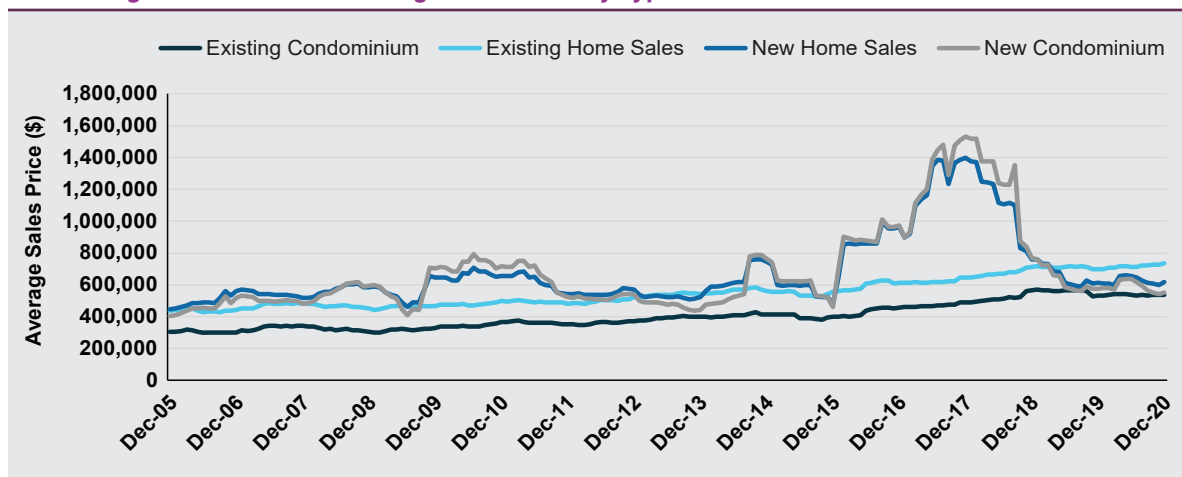
Overall growth in home prices during 2020 was more moderate compared with price gains during most of the mid to late 2010s; during that period, market conditions were tighter and a substantial amount of luxury homes were sold—particularly new luxury condominiums. From 2015 through 2017, home sales prices rose nearly each year, and growth averaged 8 percent annually, reaching \$737,100 by 2017. During that same period, prices for new condominiums rose even faster, up an average of 26 percent a year

before peaking at \$1,397,500 in 2017. That gain in new condominium prices resulted from the sale of luxury condominiums. Before that surge in home prices, new and existing home sales prices increased nearly each year at a more moderate pace, up an average of 5 percent a year, from \$526,500 in 2012 to \$577,900 in 2014. Growth in new condominium prices was also lower, although still high, up an average of 19 percent a year to \$764,300. Before the tightening of the sales market, home prices generally rose in the years leading up to and immediately following the Great Recession, a trend that was unlike many other areas in the nation that were more heavily impacted by the housing market crisis. New and existing home sales increased nearly each year from 2006 through 2011, up an average of 1 percent annually from \$456,100 in 2006 to \$489,200 by 2011; new condominium prices during the period, however, were essentially unchanged at \$521,100.

## Delinquent Mortgages and REO Properties

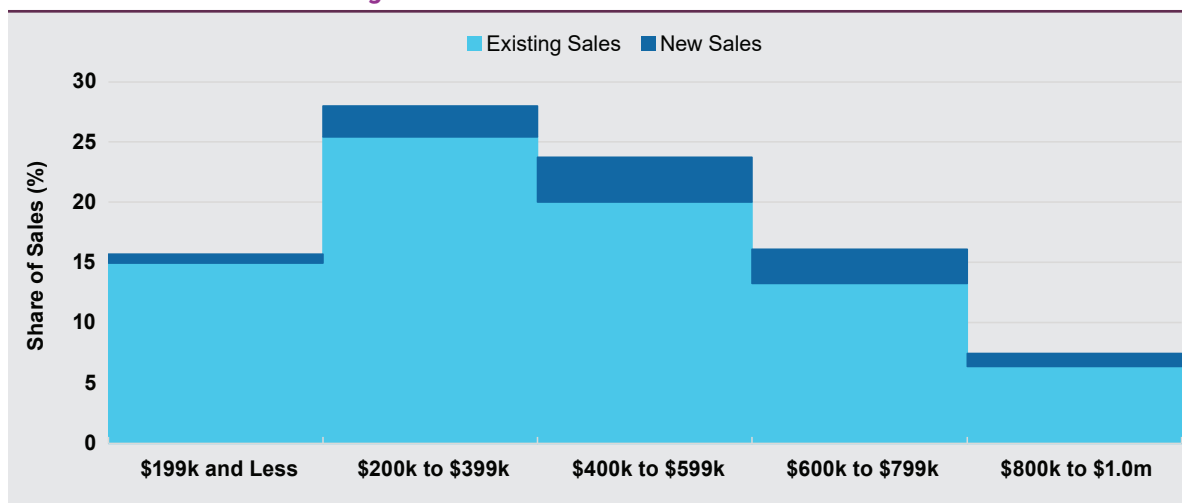
The overall improvement in sales housing market conditions in the HMA since 2010 has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of December 2020, 5.0 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status. That rate was still below the peak of 5.2 percent in February 2010 but was

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



Source: Zonda

**Figure 13. Share of Overall Sales by Price Range During the 12 Months Ending December 2020 in the Urban Honolulu HMA**



Note: New and existing sales include single-family homes, townhomes, and condominium units.

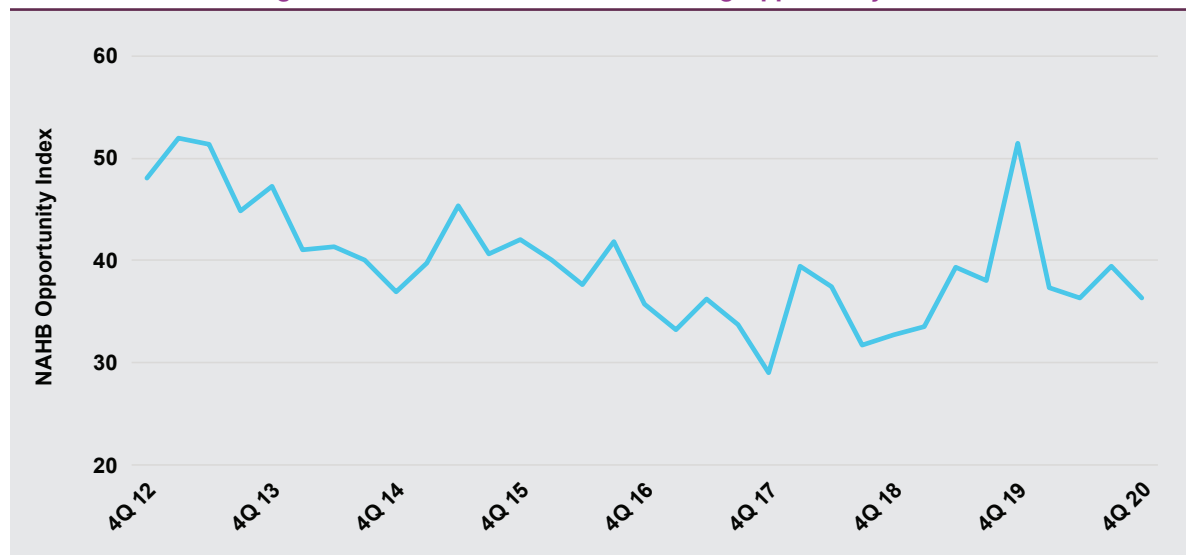
Source: Zonda

higher than the 1.7-percent rate in December 2019 (CoreLogic, Inc.). The current rate is below the 5.9-percent rate for Hawaii and above the 4.0-percent rate for the nation. The recent increase in the rate began in June 2020 as some homeowners struggled with mortgage payments during the pandemic. The rise in the rate partly reflects an increase in the number of loans in forbearance, which peaked at 5,100 home loans in August 2020. That number has since declined, month-over-month, to nearly 4,600 home loans in December 2020 but is still 29 percent higher than June 2020.

## Owner Housing Affordability in the HMA

With an increase in the number of lower priced homes since 2018, overall affordability in the HMA has slightly improved. This improvement is in contrast to a general decline in affordability that occurred from 2013 to 2017, as home prices escalated each year during that period. 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 36.3 during the fourth quarter of 2020. The index for the HMA was up from a low of 29.0 during the fourth quarter of 2017 but below the peak of 51.5 in the fourth quarter of 2019 (Figure 14). The Urban Honolulu HMA was the 25th least

**Figure 14. Urban Honolulu HMA Housing Opportunity Index**



NAHB = National Association of Home Builders. 4Q = fourth quarter.  
Sources: NAHB; Wells Fargo

affordable area in the nation during the fourth quarter of 2020, when 244, or 91 percent, of the 268 ranked metropolitan areas in the nation were more affordable than the HMA.

## First-Time Homebuyers in the HMA

Despite improved affordability in the HMA, first-time homebuyers continue to experience difficulties entering homeownership. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders ages 25 to 44 years old relative to the income needed to purchase the 25th-percentile-priced home. The index has declined nearly each year since peaking at 1.1 in 2015, when the median income for householders ages 25 to 44 years old was greater than the income needed to afford the 25th-percentile-priced home (Figure 15). During 2019, the index for the HMA was 0.90, up from 0.84 in 2018, reflecting a 3-percent over-the-year increase in the 25th-percentile-priced home to \$408,800 and a 4-percent gain in the median income of householders ages 25 to 44 years old. The national index also increased, from 1.81 in 2018 to 1.88 in 2019, and has remained above 1.00 every year during the past decade.

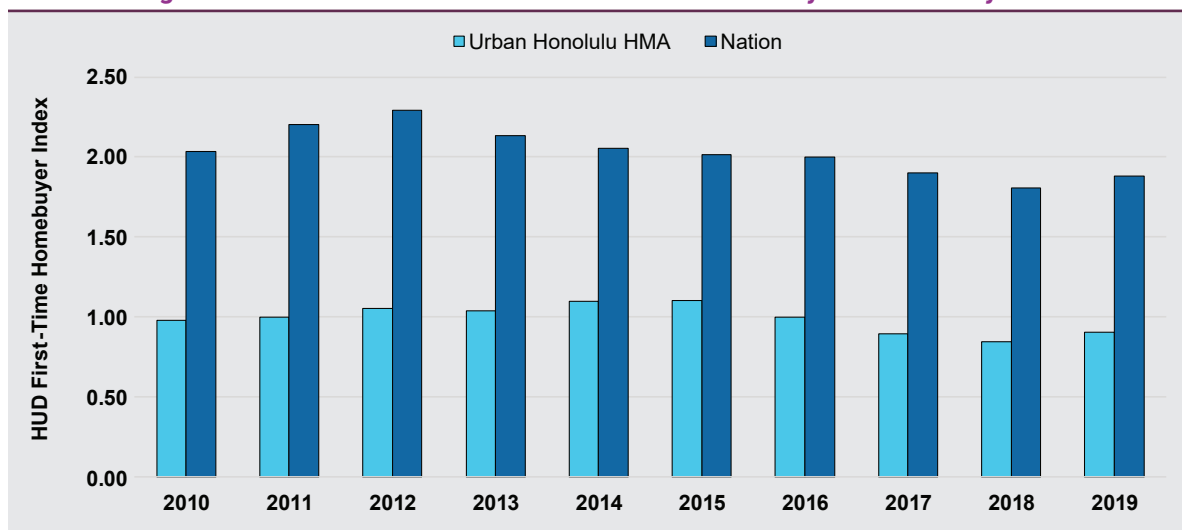


## Sales Construction Activity

Home sales building activity in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted, has generally included a greater number of condominiums since 2010 (Figure 16). Approximately 22 percent of building activity during the 2000s consisted of condominiums, a proportion that has more than doubled since 2010, reflecting greater development of condominiums in the city of Honolulu. A portion of those homes were constructed to satisfy investor or seasonal demand for homes in the HMA. Lower density development, including single-family homes and townhomes, has generally occurred outside of the city in rezoned land that had once been set aside for agriculture.

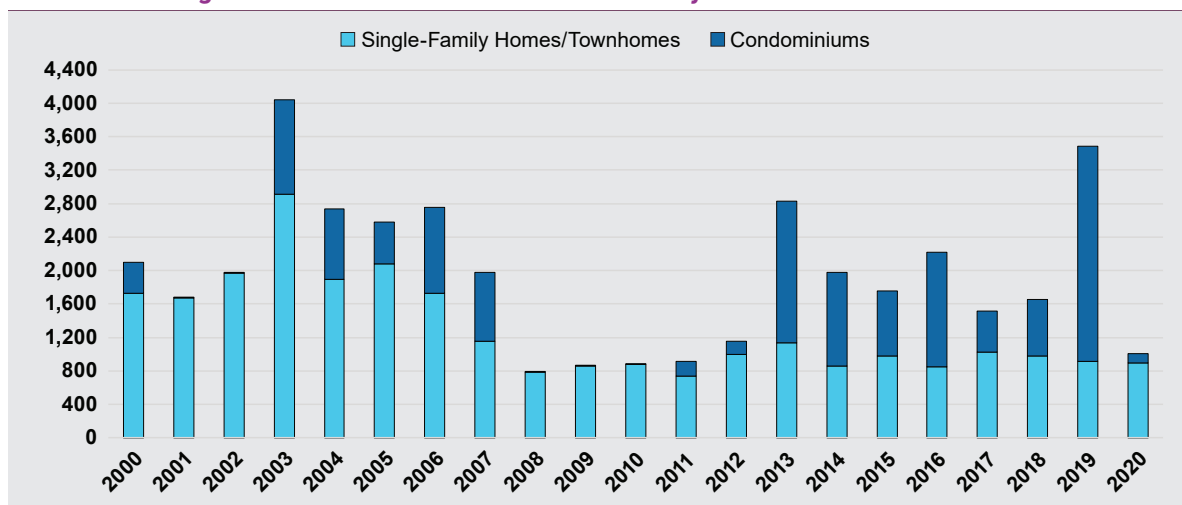
During the early 2000s, an average of 1,925 homes were permitted annually from 2000 through 2002 before increasing to nearly 4,050 homes permitted in 2003. Sales construction activity slowed in 2004 despite overall strong sales market conditions and averaged 2,500 homes a year from 2004 through 2007. As the sales market contracted in 2008 and 2009, sales construction activity decreased and remained at a lower level through 2012 despite the subsequent improvement in sales market conditions. From 2008 through 2012, an average of 920 homes were permitted annually, down 63 percent from the 2004-through-2007 average. By 2013, sales construction activity increased more than 100 percent from the previous year and averaged

Figure 15. Urban Honolulu HMA HUD First-Time Homebuyer Affordability Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; Zonda

Figure 16. Annual Sales Construction Activity in the Urban Honolulu HMA



Notes: Construction activity includes single-family homes, townhomes, and condominiums. Total activity shown here includes both seasonal and year-round housing. Data are through December 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

2,000 homes permitted annually from 2013 through 2018 before reaching a high of 3,475 homes in 2019. The construction of homes for sale slowed during 2020, partly in response to the number of homes that began construction during 2019 and are still under way. During 2020, 1,000 homes were permitted, a decrease of 2,475 homes, or 71 percent, from 2019 (preliminary data; estimates by the analyst).

### Current Construction and Completed Developments: Single-Family Homes and Townhomes

Currently, single-family home and townhome development has been concentrated in the west O'ahu area, which includes the Ewa Plain (Photo 2)—located 20 miles from downtown Honolulu on former sugar plantations. Ho'opili in the Ewa Plain is the largest master-planned community underway, with a total of 11,750 homes planned at buildout and more than 500 homes already completed since construction began in 2016. Buildout of the entire community is expected in the next 20 to 30 years. Overall, 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. Neighborhoods under construction in Ho'opili include Liko at Ho'opili and Aulu at Ho'opili, with 14 single-family homes that have been completed. Prices for three-bedroom homes start at \$743,000, and prices for four-bedroom homes start at \$779,300. The sale of homes at

**Photo 2. Recently Built Single-Family Homes in Ewa Plain**



Source: HomeQuest Hawaii, LLC

these developments began earlier in 2020 and were by lottery due to the desirability of the location and the shortage of new single-family homes for sale in the HMA. Construction at Iliahi at Ho'opili is also under way, with 156 single-family homes and townhomes planned at buildout and 29 homes already completed. Three-bedroom homes start at \$650,300, and four-bedroom homes start at \$760,300. In terms of recently completed single-family developments, Haloa at Ho'opili was recently completed in 2019, 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 who qualify under the Hawaii Housing Finance & Development Corporation (HHDFC) rules for income and asset restrictions. Prices for those homes start in the \$300,000s.

### Current Construction and Completed Developments: Condominiums

Recent condominium development continues to be concentrated in the city of Honolulu. Several condominium developments are under construction, including the 531-unit The Central Ala Moana. A total of 310 of those units will be affordable—reserved for individuals who qualify under the HHDFC rules—and the remaining 221 units will be market rate. The property began construction in 2019 and is entirely sold out, with prices for market-rate one-, two-, and three-bedroom units that started at \$580,000, \$777,000, and \$990,000, respectively. Completion of the property is expected by late 2021. In addition, the 751-unit 'A'ali'i, located in the Ward Village of the city of Honolulu, is the largest multifamily development currently

under way, with 673 condominium units and 78 affordable apartment units. Of the 673 condominium units, 150 will be income-restricted under the HHDFC rules. The property began construction in late 2018 and is expected to be completed by mid-2021. Currently, 80 percent of the units have been sold, with prices that have ranged from \$400,000 for studio units to \$1.5 million for luxury two-bedroom units. The 180-unit Ohana Hale is also under way, which will have 108 affordable units and 72 market-rate units. The affordable units will start at \$286,700, whereas the market-rate units will start at \$553,200. Lastly, a few luxury properties are under way, including The Residences at Mandarin

Oriental, with 107 luxury condominium units. The residences will have a starting price of \$3.5 million and will be first offered to current Mandarin Oriental clients before being offered to the public.

Forecast

During the next 3 years, demand for year-round sales housing is estimated for 1,900 new homes (Table 6), which is expected to increase slightly in the second and third years of the forecast period from increased owner household growth. The 790 homes currently under construction in the HMA will satisfy only a portion of demand in the first year of the forecast. In addition, the homes underway only represent those that have not already been sold and exclude those that are intended for seasonal or occasional use.

Table 6. Demand for New Homes in the Urban Honolulu HMA During the Forecast Period

Sales Units	
Demand	1,900 Homes
Under Construction	790 Homes

Notes: Demand is for year-round households to the end of the forecast period on January 1, 2024. Homes under construction are as of January 1, 2021, and exclude seasonal housing underway.  
Source: Estimates by the analyst

# Rental Market

## Market Conditions: Slightly Tight

Rental market conditions remain tighter than in 2010 despite an increase in inventory, a slowdown in household growth, and potentially fewer longer termed visitors during 2020.

## Current Conditions

The rental housing market in the Urban Honolulu HMA is slightly tight. The overall rental vacancy rate currently is estimated at 4.9 percent, down from 5.9 percent in 2010 when conditions were balanced (Table 7). The overall tightening of the rental market occurred because renter household growth in the HMA, despite the recent slowdown, more than offset an increase in the production of year-round rental units since 2010 and potentially fewer longer term visitors during 2020.

## Single-Family Home Rentals

Approximately 36 percent of renter households in the HMA lived in single-family homes in 2019 (2019 American Community Survey [ACS] 1-year data). Overall, the rental market for single-family homes remains tight, essentially unchanged from conditions a year ago and during the early 2010s. The average vacancy rate for professionally managed single-family rental homes during December 2020 was 2.3 percent, unchanged from a year ago but up only slightly from 2.2 percent in December 2012 (CoreLogic, Inc.). By number of bedrooms, vacancy rates ranged from 2.1 percent for three-bedroom homes to 2.9 percent for one-bedroom homes. Average rents for single-family homes generally increased from a year earlier,

ranging from a 1-percent increase for four-bedroom homes to a 3-percent increase for three-bedroom homes. The average rents for two-bedroom homes, however, declined 2 percent. Overall, rents have increased an average 2 to 4 percent a year depending on the number of bedrooms since December 2012, with average monthly rents for one-, two-, three-, and four-bedroom homes currently at \$1,991, \$2,403, \$3,133, and \$3,473, respectively.

## Apartment Market Trends

More than one-half of all renters in the HMA reside in structures with five or more units (2019 ACS 1-year data), and a portion of these units are in apartment buildings with the remainder being individually rented condominium units. Overall, current apartment market conditions have remained slightly tight despite an increase in apartment completions during the past year and potentially fewer seasonal visitors, many of whom stay in the HMA during the winter months. Demand for apartment units in the HMA continued to be strong during the recent economic downturn because those units are relatively more affordable. The vacancy rate for properties with 50 or more units was 4.0 percent during the fourth quarter of 2020 (RealPage, Inc., Figure 17). The rate was down from 4.5 percent during the same quarter a year earlier and from a peak of 11.3 percent in the fourth quarter of 2008, a period when there was a considerable number of apartment completions.

**Table 7. Rental Market Quick Facts in the Urban Honolulu HMA**

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.9	4.9
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38.0	36.0
	Multifamily (2–4 Units)	13.0	12.0
	Multifamily (5+ Units)	49.0	52.0
	Other (Including Mobile Homes)	0.0	0.0

Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.  
Sources: 2010 and 2019 American Community Survey, 1-year data; Moody's Analytics REIS



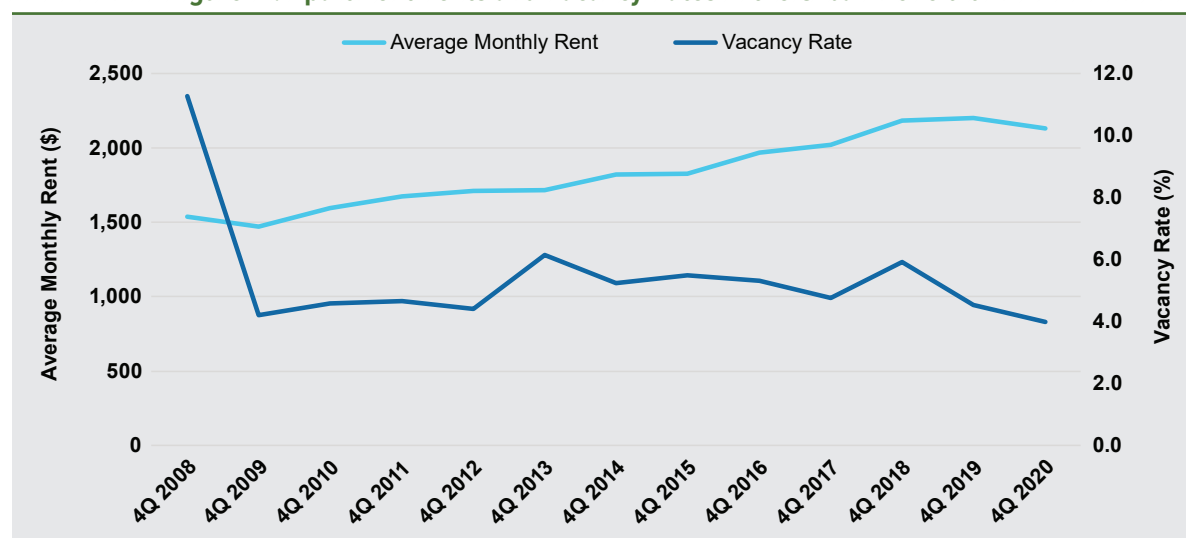
Newer apartments added to the rental supply since 2008 had partly supported an increase in the average apartment rent, which was up an average of 3 percent a year from 2008 to 2019. Recently, however, the average apartment rent declined 3 percent during the fourth quarter of 2020 to \$2,130 from \$2,203 during the fourth quarter of 2019, partly in response to reduced rents at newly completed luxury properties. During the COVID-19 pandemic, new luxury apartments in the HMA became more challenging to lease due to job losses.

The tightest market area in the HMA also has the lowest average rents. The Wahiawa-Mililani area, adjacent to Schofield Barracks, has the lowest vacancy rate in the HMA—estimated at 2.2 percent—and an average rent of \$1,700, about 3 percent below the average in the city of Honolulu. The Wahiawa-Mililani area contains the largest share of apartments in the HMA due to its proximity to jobs and military bases. The city of Honolulu has an estimated vacancy rate of 4.0 percent and an average rent of \$1,750. The highest rent area in the HMA was in the Ewa Plain, where rents averaged \$2,700 and the vacancy rate was 4.1 percent.

## Military Housing

The HMA is home to approximately 50,350 military personnel, a portion of whom are accompanied by dependents. More than two-thirds of military personnel that live off-base rent versus own their home. Nearly 80 percent

**Figure 17. Apartment Rents and Vacancy Rates in the Urban Honolulu HMA**



4Q = fourth quarter.  
Source: RealPage, Inc.

of off-base rental military housing—managed under contract to the Department of Defense for exclusive use by active duty military and their dependents—are single-family homes and townhomes, with garden-style apartments accounting for the remaining 20 percent (Photo 3). Currently, rental housing for the military includes approximately 17,000 rental single-family homes, townhomes, and apartments in multiple neighborhoods managed by three rental communities—Hickam Communities, Island Palm Communities, and Ohana Military Communities. The vacancy rate for military rental housing is currently estimated to be less than 1.0 percent. Outside of these three communities, more than 7,900 military households rent units throughout the HMA. During the mid-2000s to early 2010s, several military townhome communities were constructed or renovated. Developments during that period include the completion of 1,208 new homes and the renovation of 1,126 existing homes by Hickam Communities and the construction and renovation of a combined 7,756 homes by Island Palm Communities. Currently, there are no plans to add additional rental military housing in the HMA.

## Rental Construction Activity

Overall, rental construction activity, as measured by the number of rental units permitted, in the HMA has varied widely since 2000 (Figure 18). That variation largely resulted from developer responses to the pace

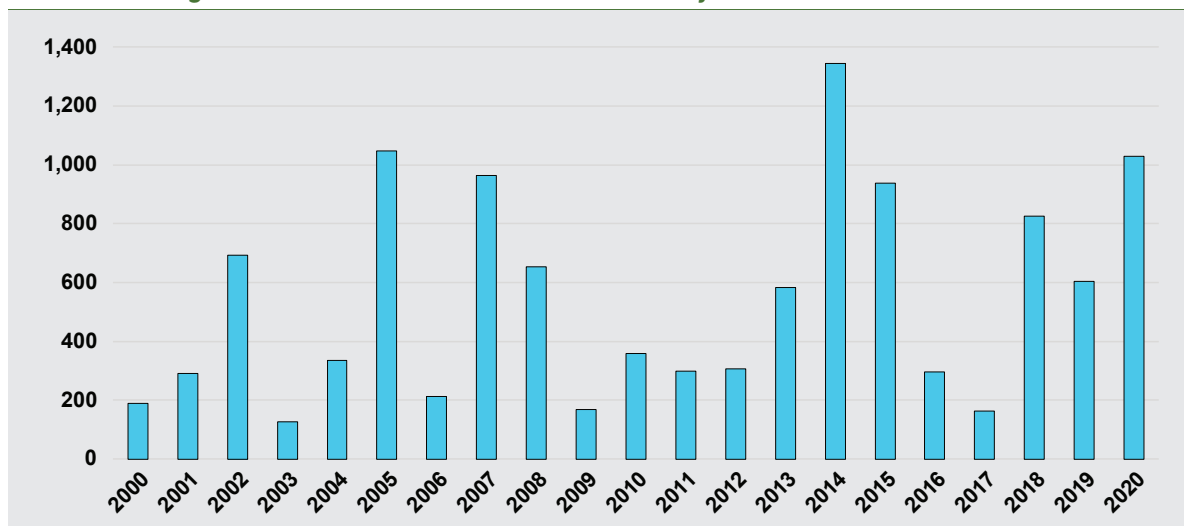
of absorption of newly completed units during the past two decades. Construction levels at the beginning of the 2000s were relatively low and averaged only 240 units permitted a year from 2000 through 2001 before rising to 690 units permitted by 2002 (U.S. Census Bureau and estimates by the analyst). As those newer units were being absorbed, construction slowed to an average of 230 units permitted annually during 2003 and 2004, before increasing sharply to 1,050 units by 2005 in response to household growth and net in-migration during the period. Construction subsequently eased to 210 units permitted by 2006, partly because of net out-migration during part of that year, before rising to an average of 810 units annually during 2007 and 2008 as net in-migration resumed. Despite continued net in-migration, rental construction activity slowed to an average of 280 units annually from 2009 through 2012. That lower level of construction has contributed to tighter rental market conditions since 2010, and developers responded by increasing production. Rental construction rose to 580 units in 2013 before increasing considerably to an average of 1,150 units annually during 2014 and 2015. As those units were completed, development slowed once more to an average of 230 units annually during 2016 and 2017. Since 2018, tight rental market conditions have contributed to an increase in rental construction activity, which has averaged 820 units permitted a year from 2018 through 2020.

Photo 3. Military Rental Housing Honolulu



Source: MilitaryBases.com

Figure 18. Annual Rental Construction Activity in the Urban Honolulu HMA



Notes: Construction activity includes apartments and other multifamily units intended for rental occupancy. Total activity shown here includes both seasonal and year-round housing. Data are through December 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

## Current Construction and Recently Completed Developments

Approximately 2,575 apartment units were either completed since 2018 or are currently under construction in the HMA. Nearly two-thirds of those units are in the city of Honolulu, with approximately one-third in the Ewa Plain of west O'ahu. Of the apartments that have been completed since 2018, approximately 85 percent have been either affordable or part of mixed-income apartment developments. Among those properties is the 16-story tower, Nohona Hale, which was completed in 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 rents that range from \$500 to \$995 a month, depending on income, for a 300-square foot studio unit. The most recently completed low-income housing tax credit (LIHTC) development in the HMA is the 128-unit Hale Kewalo Apartments building, which was completed in the city of Honolulu in 2019. The 11-story building offers units that are affordable to households with incomes at 30, 50, and 60 percent of the area median income (AMI); rents for those units range from \$656 for one-bedroom units to \$1,819 for three-bedroom units. In addition, Kulia at Ho'opili in the Ho'opili master-planned community was completed in October 2020, with 120 units that are also affordable to households with incomes at 30, 50, and 60 percent of the AMI. The development is close to one of the Honolulu High-Capacity Transit Corridor stations that is under way. Rents,

depending on income, will range from \$595 to \$1,150 for one-bedroom units, \$720 to \$1,320 for two-bedroom units, and \$825 to \$1,590 for three-bedroom units.

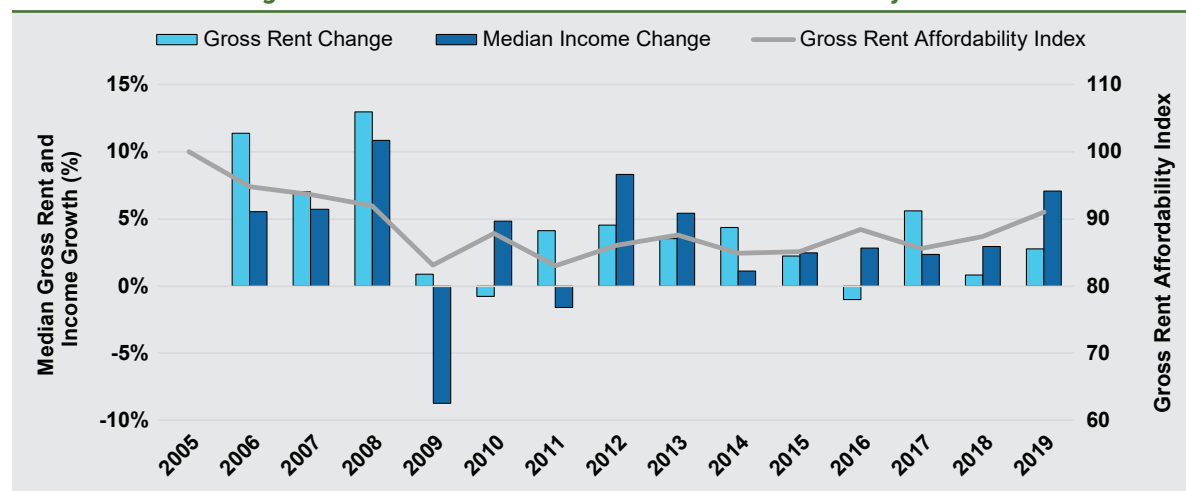
Developments under construction include Hale Kalele, with 200 units in the city of Honolulu. Units will be affordable to households with incomes at 30 to 60 percent of the AMI, with rents depending on income ranging from \$584 for studio units to \$1,575 for two-bedroom units. Construction is expected to be completed in 2021. In addition, the 318-unit The Element at Ho'opili in the Ho'opili master-planned community will offer market-rate and a limited number of affordable units in a garden-style rental community. The first phase of the development was recently completed in 2020, with final completion of the development expected in late 2021. Market-rate rents at the property start at \$2,145 for one-bedroom units, \$2,575 for two-bedroom units, and \$3,145 for three-bedroom units. A few one-bedroom units have been set aside for households earning 60 percent of the AMI; rents for those units start at \$1,483.

## Rental Housing Affordability

### Overall Affordability Issues

Overall affordability in the HMA has been slightly improving because of growth in the number of affordable rental units since 2018. Overall, the increase in median income has been greater than the increase in median gross rent in the HMA, but overall affordability remains below what it was in 2005 (Figure 19). The median

Figure 19. Urban Honolulu HMA Gross Rent Affordability Index



Notes: Rental affordability is for the Urban Honolulu HMA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index publishing on the U.S. Housing Market Conditions website because the former is based on combined rent and utilities expenditure.

Source: American Community Survey, 1-year data

renter household income increased 37 percent, from a low of \$47,118 in 2011 to \$64,573 by 2019, whereas the median gross monthly rent rose 25 percent from \$1,419 to \$1,774. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has increased. The index was 91.0 during 2019, up from 87.4 in 2018 and 83.0 in 2011. The index, however, is below the 2005 level of 100.0, before the housing market decline and subsequent recession.

### Renter Cost Burdens

Despite the general improvement in rental affordability since 2011, an estimated 24.9 percent of all renter households in the HMA were cost-burdened during the 2013-through-2017 period (Table 8). These households were spending between 30 and 49 percent of their income on rent, whereas a greater proportion, 27.3 percent, in the HMA were severely cost-burdened, spending more than 50 percent of income toward rent. Nationwide, a lower proportion of renter households were cost-burdened and severely cost-burdened compared with the HMA, at 21.8 and 22.9 percent, respectively. A greater proportion of lower income renter households, those with incomes less than 50 percent of the area median family income (AMFI), had severe cost burdens. Approximately 56.9 percent of renter households with incomes less than 50 percent of the AMFI in the HMA were paying more than 50 percent of their incomes toward rent, compared with 50.1 percent nationwide.

**Table 8. Percentage of Cost-Burdened Renter Households by Income**

	Cost-Burdened: 30–49 Percent of Income Toward Rent		Severely Cost-Burdened: More than 50 Percent of Income Toward Rent	
	Urban Honolulu HMA	Nation	Urban Honolulu HMA	Nation
<b>Renter Households with Income &lt;50% HAMFI</b>	21.1	25.6	56.9	50.1
<b>Total Renter Households</b>	24.9	21.8	27.3	22.9

HAMFI = HUD Area Median Family Income.

Source: Consolidated Planning/CHAS Data, 2013–2017 American Community Survey 5-year estimates (huduser.gov)

### Homelessness

Nearly 4,450 people throughout the HMA were homeless, which accounted for nearly 69 percent of all homeless people throughout Hawaii in 2020 (Point-in-Time Count). Of the number of people that were homeless in the HMA, 53 percent were unsheltered, which is a higher proportion compared with approximately 39 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 for 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 (Photo 4) is planned for 144 one- and two-bedroom homes to be built in six phases on 11 acres of land that will provide long-term, permanent, and affordable housing for homeless families with children in the HMA. The first and second phases, with a combined 60 units, have been completed, and another 30 units are under way. 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 housing units 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 of those developments have already begun construction and will add a net of approximately 4,175 affordable units by the end of the forecast period.

### Current Affordable Housing Options: LIHTC, PBRA, HCV

The LIHTC program 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 Plain 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 authority (PHA). The PHAs in the HMA administered more than 6,275 HCVs in 2020 (Table 9). 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. Nearly 15,900 subsidized units are available 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 15 percent, or an average of 1.5 percent annually, since 2010. The increase in assisted households occurred as an inflation-adjusted rent subsidy from HUD has increased 6.6 percent since 2010; during the same time, the inflation-adjusted tenant contribution for HCVs went down 0.7 percent. By comparison, in the nation, the total number of voucher households has increased 13.4 percent and the inflation-adjusted HUD subsidy has increased 0.1 percent since 2010, whereas the inflation-adjusted tenant contribution has decreased 0.5 percent.

Photo 4. Kahauiki Village



Source: Kahauiki Village 2018

Table 9. Picture of Subsidized Households

	Urban Honolulu HMA	HMA Change Since 2010	National Total	National Change Since 2010
<b>Total Assisted Households (2020)</b>	12,473	6.9%	4,599,832	3.9%
<b>Total Housing Voucher Households (2020)</b>	6,284	15.3%	2,313,166	13.4%
Average HCV Tenant Monthly Contribution	\$532	-0.7%	\$386	-0.5%
Average Monthly HUD Subsidy	\$1,310	6.6%	\$834	0.1%

HCV = Housing Choice Voucher.

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

Source: HUD Picture of Subsidized Households

Forecast

Overall, current tight rental market conditions are expected to ease slightly during the next 3 years as a portion of short-term rentals transition to the year-round rental market under Ordinance 19-18; that transition will increase 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 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.

Rental demand during the forecast period is estimated for 2,025 new year-round rental units in the HMA (Table 10). Demand is expected to increase during the second and the third year of the forecast from increased in-migration. The 1,500 rental units under construction are expected to meet all the demand during the first year and a portion of demand in the second year of the forecast period. The units underway exclude those that would be intended for seasonal or occasional use.

Table 10. Demand for New Rental Units in the Urban Honolulu HMA During the Forecast Period

Rental Units	
Demand	2,025 Units
Under Construction	1,500 Units

Notes: Demand is for year-round households to the end of the forecast period on January 1, 2024. Units under construction are as of January 1, 2021, and exclude seasonal housing underway.  
Source: Estimates by the analyst

# Terminology Definitions and Notes

## A. Definitions

<b>Cost Burdened</b>	Spending more than 30 percent of household income on housing costs.
<b>De Facto Population</b>	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.
<b>Demand</b>	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.
<b>Forecast Period</b>	1/1/2021–1/1/2024—Estimates by the analyst.
<b>Hawaii Worker Adjustment and Retraining Notification Act</b>	Requires covered employers, or those that employ or have employed in the preceding 12 months 50 or more full-time employees, to provide advance notice to employees affected by plant closings and mass layoffs. Employees must have been employed for at least 6 months of the 12 months preceding the date of required notice in order to be counted.
<b>Hawaii Safe Travels</b>	A travel program that was implemented in October 2020 in order to facilitate domestic travel to the Hawaiian Islands—starting with inter-island travel before expanding to include all domestic U.S. travelers to the Hawaiian Islands. The program allowed travelers to forgo the required 10- to 14-day quarantine period with an approved negative COVID-19 test result. Individual Hawaiian counties may opt in or out of this program.
<b>Home Sales/ Home Sales Prices</b>	Unless otherwise stated, includes new and existing single-family homes, townhomes, and condominiums.

<b>Homes/ Units Under Construction</b>	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.
<b>Net Natural Change</b>	Net natural change is resident births minus resident deaths.
<b>Nonfarm Payroll Jobs</b>	Includes civilian nonfarm payroll jobs as defined by the U.S. Bureau of Labor Statistics. These data exclude military personnel.
<b>Other Vacant Units</b>	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.
<b>Population</b>	Only includes resident population. This contrasts with the de facto population, which is the sum of resident and visitor populations.
<b>Regular Resales</b>	These are existing home sales that include short sales but exclude real estate owned sales.
<b>Rental Market/ Rental Vacancy Rate</b>	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
<b>Residential Building Permits</b>	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 include 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 market.
<b>Seriously Delinquent Mortgages</b>	Mortgages 90+ days delinquent or in foreclosure.
<b>Short-Term Rentals</b>	Properties that rent for 30 days or less.



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 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.
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**

---

Cover Photo	iStock
-------------	--------

---

## Contact Information

Wendy Ip, Lead Economist  
Los Angeles HUD Field Office  
213-534-2676  
wendy.i.ip@hud.gov

