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Analysis of the
**HAWAII COUNTY, HAWAII
HOUSING MARKET**

as of July 1, 1969

**A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411**

September 1969

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FHA Housing Market Analysis
Hawaii County, Hawaii, as of July 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS-HAWAII COUNTY, HAWAII
AS OF JULY 1, 1969^{1/}

Hawaii County, encompassing the Island of Hawaii, is the largest county of the state. With an area of over 4,000 square miles, the "Big Island" is almost twice the combined size of all the other islands in the state. The principal industries are sugar growing and milling, cattle ranching, tourism, and diversified agriculture. The island has the only coffee growing area in the United States, the largest orchid growing business in the world, and expanding exports of papayas, macadamia nuts, anthuriums and other tropical flowers.

With the establishment of direct flights from Hilo Airport to the mainland in 1967, Hawaii has benefited greatly from the increased tourist traffic on the Neighbor Islands and there are fairly definite plans for extensive further resort developments. The housing market was tight in mid-1969, particularly in the Kailua-Kona area which has had the most intensive development as a tourist area.

Anticipated Housing Demand

On the basis of the anticipated level of household growth, about 750 a year, and the expectation that there will continue to be a fairly substantial volume of net losses as a result of demolitions and other causes, demand for new, nonsubsidized, housing is estimated at about 850 units a year among residents of Hawaii County including 650 single-family houses and 200 units in multifamily structures.

^{1/} Data in this analysis are supplementary to a previous FHA analysis of the area as of April 1, 1967.

The qualitative distribution of sales housing demand, presented in table I, indicates that over half of the demand for single-family housing will be for houses priced at less than \$26,000 and less than 15 percent will be for houses priced above \$35,000. The 200 units of multifamily demand includes 20 efficiency units, 60 one-bedroom apartments, 90 two-bedroom units, and 30 with three or more bedrooms, distributed by rent level as shown in table I.

To the extent that visitor-oriented residential construction is a factor in the local housing industry, the actual levels of new construction may be substantially higher than the indicated levels of resident demand.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through four different programs administered by FHA--monthly rent-supplement payments, principally in rental projects financed with market-interest-rate mortgages insured under Section 221(d)(3); partial payments for interest for home mortgages insured primarily under Section 235; partial payments for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for projects with mortgages insured under Section 221(d)(3).

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be eligible alternatively for assistance under one of these programs or under other assistance programs using federal or state support. The potentials^{1/} discussed in the following paragraphs reflect estimates adjusted for housing provided or under construction under alternative FHA or other programs.

The occupancy potentials for subsidized housing under the FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on current income limits, and on available market experience. It is cautioned that the occupancy potentials discussed for various programs are not additive.^{2/}

^{1/} The occupancy potentials referred to in this analysis have been developed to reflect the capacity of the market in view of existing vacancy. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents over the complete range attainable for housing under the specified programs.

^{2/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under most of the subsidized programs and absorption rates remain to be tested.

Section 221(d)(3). There are no projects under this section of the National Housing Act in Hawaii County. If federal funds are available, a total of about 60 units of Section 221(d)(3) BMIR housing probably could be absorbed annually in Hawaii.^{1/} Many of these families also are eligible for Section 235 and Section 236 housing.

Rent-Supplement Housing. Most families eligible for rent-supplement also are eligible for public housing. To date, a total of about 320 units of public housing, largely at Lanakila Homes in Hilo, have been completed and there is an outstanding application covering 24 additional units. The occupancy potential for rent-supplement housing is calculated to be 125 units a year, including 75 units designed especially for the elderly. A small proportion of the families and individuals eligible for rent-supplements have incomes within the Section 236 housing income range.

Section 235, Sales Housing. In Hawaii, the maximum allowable mortgage for Section 235 is \$25,375. For families of five or more requiring at least four bedrooms, mortgage amounts as high as \$29,000 may be approved. A potential market for about 85 units a year during the next two years is estimated for Hawaii County. All of these families are also part of the potential estimated below for Section 236 housing.

Section 236, Rental Housing. The annual occupancy potential on Hawaii for Section 236 housing is calculated at 100 units, including 85 units for families and 15 units designed for elderly households. This potential is distributed by unit size in table II.

The Sales Market

The rising economy of the past few years has resulted in a seller's market, with rising prices, in Hawaii. Since the tourist boom on the island of Hawaii is concentrated in Kailua-Kona, the market is particularly tight in that area. There are few listings of available houses, other than in the luxury class. A three-bedroom, one-bath home, FHA-financed, was reported to be available for \$31,500.

There is a vigorous market in land sales in the Kailua-Kona area. Desirable lots sell for as much as \$1.45 a square foot. Since the community is somewhat remote from supplies and port facilities, few houses are built for less than \$18,000, plus lot. One fairly large building operation proposes to sell new three-bedroom, one-bath houses, with carport, for \$28,000 to \$30,000 and reports a substantial number of inquiries.

The larger Hilo area, while also experiencing economic growth, has not had as intensive a development of resort facilities, and the market is not quite as tight as in the Kailua-Kona area. Existing houses are advertised at prices as low as \$18,500, although the bulk of the houses listed were between \$20,000 and \$30,000.

^{1/} At the present time, funds for allocations are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

It is possible to have a minimum house of about 800 square feet built for about \$13,000 in the Hilo area. On a small lot, the total cost of such a house might be under \$20,000. A more typical situation-- and a better house--would involve a structure costing about \$16,000 on a lot in the \$8,000 to \$10,000 range, for a total price of about \$25,000.

The Rental Market

The tenure information available indicates that nearly sixty percent of the residents of the island of Hawaii rent their homes. Since the multifamily inventory is rather small, most rentals are single-family houses. In the tight Kailua-Kona market, few houses rent for less than \$300 a month, when available. In the Hilo area, prices are somewhat more moderate. Although few rentals are available, prices as low as \$170 a month are listed.

It is difficult to distinguish between the resort-motel market and the multifamily rental market. Since most small apartments can be rented to tourists, the prices tend to be set by the tourist market and are rather high. Of a dozen or so "apartment houses" listed by the Hawaii Island Chamber of Commerce for Hilo, virtually all rented only completely furnished units and many quoted daily rates. Prices were comparatively moderate, however, with \$210 monthly being the typical rental for a furnished one-bedroom unit. A new building in Hilo on which construction began in May 1969, contemplates shelter rents of \$100 for studio units and \$135 for one-bedroom apartments. Rent levels are much higher in the Kona area.

Basic Economic, Demographic, and Housing Factors

Economy. During 1968, a total of 25,700 persons were employed in Hawaii County, a gain of 1,200 (4.9 percent) over the average for 1967 and the highest level of employment on the island in about 20 years. As shown in table III, gains in employment have been confined to the nonmanufacturing sector, largely in services in which the burgeoning resort industry is the most significant influence.

Agriculture (no pineapple, but very substantial quantities of sugar cane, macadamia nuts, papayas, coffee, tropical flowers, and cattle) and food processing, together, have been the leading sources of employment in the area. Despite the fact that sugar production was at the second highest level in the history of the industry at the end of 1968, employment in agriculture and food processing has not expanded, and was lower in 1968 than in the two previous years. The sectors of the economy affected by the tourist trade (services and trade), on the other hand, have been expanding and, in 1968, were responsible for more jobs (7,800) than agriculture and food processing (7,400) for the first time.

Data on total employment for the 1960-1968 period reveal that there was virtually no change in the employment level on the island between 1960 and 1964. In July 1965, the Mauna Kea Beach Hotel opened at Kawaihae Bay. This recognition of the Kona-Kohala coast of Hawaii as a resort area by the Rockresorts organization may be said to represent the beginning of the resort boom in the area. In any event, total employment increased by 1,300 between 1964 and 1965. Growth slowed somewhat in the following two years, but the initiation of Hilo-mainland flights and the \$5.00 stop over air fare in the fall of 1967 provided a further stimulus and, as indicated earlier, employment increased by 1,200 between 1967 and 1968.

There are no signs that the growth in tourism is likely to abate in the near future. On the contrary, when the so-called "jumbo jets" seating over 350 passengers go into service late in 1969, there will be a further stimulus to this market. The number of hotel rooms on the island is expected to increase from about 2,200 in 1968 to over 2,700 in 1969 and to nearly 3,500 in 1970. The primary and secondary employment resulting from these stimuli should result in more rapid growth in the job total. It is anticipated, therefore, that total employment in the area will increase from 25,700 (1968 average) to 29,000 (expected 1970 average), or by 1,650 a year.

Income. In 1969, the median annual income of all families in Hawaii County is estimated at \$7,125, after deduction of federal income tax. The median income of renter households of two or more persons was \$6,075 after taxes. By 1971, these medians are expected to increase to \$8,050 and \$6,850, respectively. Table IV provides distributions of all families and renter households by income classes for 1969 and 1971.

Population. Population estimates have been made in Hawaii for a number of years by the U.S. Census Bureau and the Department of Planning and Economic Development of the state of Hawaii. In recent years (1965-1967), there have been substantial discrepancies between these estimates. These differences were resolved late in 1968, and a new series of "official" Census-State estimates were prepared. Population estimates in this report are consistent with the new official estimates and are, therefore, not comparable with these in FHA's previously published market analysis.

As of July 1, 1969, the population of Hawaii County is estimated at 70,000, compared with 61,332 in April 1960, an average gain of 937 persons (1.4 percent compound rate) a year. A sample survey of population characteristics conducted in 1967 indicated that about 43 percent of the population of the island lived in the city of Hilo, 13 percent in the rest of the Hilo district, 15 percent in Kona, nearly 9 percent in Kahala, and the remaining 20 percent fairly evenly divided among the Hamakua, Kau, and Puna districts.

On the basis of the available data on resident births and deaths in Hawaii County, it is estimated that the net natural increase (births minus deaths) in the 1960-1969 period has totaled nearly 6,000 and that net in-migration has accounted for 2,668 of the total population growth. There is some evidence, primarily data on inter-island air passenger traffic, which indicates that there was a small net out-migration in the early years of the decade and that the net inward movement was confined to the past few years in which employment opportunities have been expanding.

The anticipated increase in employment is expected to stimulate some increased in-migration to the island of Hawaii. Together with the net natural increase, this is expected to result in a total population gain of 5,000 (to a total of 75,000) by July 1, 1971.

Households. As of July 1, 1969, there are estimated to be 18,500 households in Hawaii County. This estimate is based on the population estimate and on the assumption that the average number of persons per household has decreased from about 3.8 at the time of the 1960 Census to about 3.7 persons in 1969. The 18,500 figure suggests an increase of 2,711 in the number of households between April 1, 1960 and July 1, 1969. The available data suggest that household growth largely has been confined to the past few years in which there was renewed growth in the economy of the area.

On the basis of the anticipated increase in population and on the assumption that there will be virtually no change in average household size, it is expected that there will be 20,000 households in the area as of July 1, 1971, an increase of 1,500 over the mid-1969 total.

Housing Inventory. As of July 1, 1969, the housing inventory of Hawaii County is estimated to contain 21,500 units.^{1/} Of this total, 18,500 are occupied by resident households and 3,000 are either vacant or are held by persons with another residence elsewhere. On the basis of the number of taxpayers claiming home exemptions in paying property taxes to the state, it is reported that 42.6 percent of the housing units in Hawaii County were owner-occupied in 1968.

The volume of residential construction, as measured by building permits, reached a peak of 769 units in 1968. As shown in table V, this total was substantially above that of any prior year in this decade, largely as a result of the increase in multifamily activity, although the single-family total also reached a new high in 1968. The total of 276 multifamily units in 1968 compares with a total of 341 in the 1960 to 1967 period, inclusive. Data for the first four months of 1969 suggests, however, that another peak of residential activity may occur this year.

The net loss of housing units in Hawaii as a result of demolitions, conversions, or disasters has been fairly substantial, totaling 943 units, an average of 105 units yearly in the 1960-1968 period.

^{1/} Estimate based on 1968 estimate of the Honolulu Redevelopment Agency, adjusted for recent construction volume.

Table I

Estimated Annual Demand for New Single-family Housing
Among Residents of Hawaii County, Hawaii
July 1, 1969 - July 1, 1971

<u>Sales Price</u>	<u>Number of units</u>	<u>Percent of total</u>
\$20,000 - \$21,999	140	21.5
22,000 - 23,999	100	15.4
24,000 - 25,999	90	13.9
26,000 - 27,999	75	11.5
28,000 - 29,999	50	7.7
30,000 - 32,499	50	7.7
32,500 - 34,999	50	7.7
35,000 - 39,999	50	7.7
40,000 and over	<u>45</u>	<u>6.9</u>
Total	650	100.0

Estimated Annual Demand for New Rental Housing
Among Residents of Hawaii County, Hawaii
July 1, 1969 - July 1, 1971

<u>Monthly gross rent^{a/}</u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three or more bedrooms</u>
\$120 - \$129	5	-	-	-
130 - 139	5	-	-	-
140 - 149	5	-	-	-
150 - 159	5	20	-	-
160 - 169	-	15	-	-
170 - 179	-	10	-	-
180 - 189	-	5	25	-
190 - 199	-	5	15	-
200 - 224	-	5	20	10
225 - 249	-	-	20	10
250 and over	-	-	10	10

^{a/} Gross rent is shelter rent plus the cost of all utilities.

Table II

Estimated Annual Occupancy Potential
Hawaii County, Hawaii
July 1, 1969 - July 1, 1971

A. Subsidized Sales Housing, Section 235

<u>Eligible family size</u>	<u>Number of units^{a/}</u>
Four persons or less	55
Five persons or more	<u>30</u>
Total	85

B. Privately-financed Subsidized Rental Housing

<u>Unit size</u>	<u>Rent Supplement</u>		<u>Section 236^{a/}</u>	
	<u>Families</u>	<u>Elderly</u>	<u>Families</u>	<u>Elderly</u>
Efficiency	-	60	-	10
One bedroom	5	15	10	5
Two bedrooms	15	-	35	-
Three bedrooms	15	-	25	-
Four or more bedrooms	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>
Total	50	75	85	15

^{a/} All of the families eligible for Section 235 housing are also eligible under the Section 236 program and about 70 percent are eligible for Section 221(d)(3) BMIR housing. The estimates are based on exception income limits.

Table III

Labor Force Trends
Hawaii County, Hawaii, 1966-1968
 (Annual averages in thousands)

	<u>1966</u>	<u>1967</u>	<u>1968</u>
Civilian Labor Force	24.9	25.5	26.5
Unemployed	1.0	1.0	.8
Percent of labor force	3.9	4.0	3.2
Employed	23.9	24.5	25.7
Manufacturing	3.0	2.9	2.9
Food processing	2.6	2.4	2.4
Sugar	2.0	1.9	1.9
Other	.4	.5	.5
Nonmanufacturing	13.3	13.8	14.9
Contract construction	1.3	1.2	1.2
Transp., commun., pub. util.	1.2	1.2	1.3
Wholesale and retail trade	3.9	4.1	4.3
Fin., ins., real estate	.7	.6	.6
Services and misc.	2.6	2.9	3.5
Hotels	1.1	1.4	1.8
Other	1.5	1.5	1.7
Government	3.6	3.8	4.0
Federal	.2	.3	.3
State	2.0	2.1	2.3
Local	1.4	1.4	1.5
Other	7.6	7.9	7.9
Agricultural	4.9	5.1	5.0
Nonagricultural <u>a/</u>	2.7	2.8	2.9

a/ Self-employed, unpaid family workers, and domestics

Note: Subtotals may not add to totals because of rounding.

Source: State of Hawaii, Department of Labor and Industrial Relations.

Table IV

Estimated Percentage Distribution of All Families and Renter Households
By Annual Income After Deduction of Federal Income Tax
Hawaii County, Hawaii, 1969 and 1971

<u>Annual Income</u>	1969		1971	
	<u>All families</u>	<u>Renter households^{a/}</u>	<u>All families</u>	<u>Renter households^{a/}</u>
Under \$3,000	8.5	12.0	7.0	9.5
\$3,000 - 3,999	5.5	10.0	4.0	7.0
4,000 - 4,999	11.0	11.0	7.0	11.5
5,000 - 5,999	12.0	16.0	11.0	13.0
6,000 - 6,999	12.0	11.5	11.0	10.5
7,000 - 7,999	9.0	9.0	10.0	9.0
8,000 - 8,999	8.5	8.0	8.0	8.0
9,000 - 9,999	6.0	5.0	7.0	6.0
10,000 - 12,499	11.0	8.0	12.0	10.5
12,500 - 14,999	7.0	4.0	8.0	7.0
15,000 - 19,999	5.0	3.0	8.0	4.5
20,000 and over	<u>4.5</u>	<u>2.5</u>	<u>7.0</u>	<u>3.5</u>
Total	100.0	100.0	100.0	100.0
Median	\$7,125	\$6,075	\$8,050	\$6,850

^{a/} Excludes one-person renter households.

Table V

Housing Units Authorized by Building Permits
Hawaii County, Hawaii 1960-1969

<u>Year</u>	<u>Single- family</u>	<u>Multi- family</u>	<u>Total</u>
1960	196	10	206
1961	291	28	319
1962	363	71	434
1963	422	26	448
1964	420	17	437
1965	431	94	525
1966	453	73	526
1967	393	22	415
1968	493	276	769
Jan.-April 1968	168	42	210
Jan.-April 1969	201	160	361

Source: Department of Research and Development, County of Hawaii;
Department of Business Research, Bank of Hawaii.

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