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Analysis of the
**MAUI 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
Maui 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 - MAUI COUNTY, HAWAII
AS OF JULY 1, 1969^{1/}

The Maui Housing Market Area (HMA) is defined as Maui County, Hawaii. The county is made up of four islands-Maui, Molokai, Lanai and Kahoolawe with a total area of 1,161 square miles, approximately the size of Rhode Island. The island of Maui, with about 83 percent of the county's population, is the largest of the four islands. It is the center of trade and tourism and the seat (at Wailuku and Kahului) of the county government. There are also extensive sugar cane and pineapple plantations, sugar mills and pineapple canneries. On Molokai (261 square miles), pineapple farming and cattle raising are the major industries. Lanai (140 square miles) is owned in its entirety by the Dole Company. The pineapple raised is shipped by barge to Honolulu for canning. Kahoolawe is uninhabited and is used as a military bombing practice range.

While the principal economic support of the HMA is still derived from the sugar and pineapple industries, tourism is expected to be the leading source of future economic growth. Current resort developments have led to very tight housing markets, particularly for service workers in resort areas.

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

Anticipated Housing Demand

On the basis of the anticipated level of household growth, about 250 a year, and the continued need for replacement of the plantation housing which is being removed by the plantation owners as rapidly as possible, demand for new, nonsubsidized, housing is estimated at about 300 units a year among residents of Maui, including 200 single-family units and 100 units in multifamily structures. Should sufficient funds be made available, additional units could be absorbed over the two-year forecast period through some form of interest rate subsidy or other assistance.

The qualitative distribution of sales housing demand, presented in table I, indicates that about 40 percent of the demand for single-family housing will be for houses priced between \$20,000 and \$25,000 and only 17 percent for houses priced above \$35,000. The 100 units of multifamily demand includes 10 efficiency units, 30 one-bedroom apartments, 45 two-bedroom units and 15 with three or more bedrooms. For Maui residents, these units should rent for close to the minimum achievable rents which are estimated to be \$140, \$170, \$200, and \$230 for efficiencies, one, two, and three bedroom units, respectively.

It is recognized that the actual volume of new residential construction in the next two years will be substantially higher than the indicated level of locally originated demand. As will be shown later in this report, at least half of the residential building in the area is visitor-oriented and in both price and location is not designed to meet the needs of local residents.

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 unadjusted to indicate contingent reductions because of housing provided under alternative FHA-assisted or other programs. The occupancy potentials discussed for various programs are, therefore, not additive.

The occupancy potentials for subsidized housing in FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on February 1, 1969 income limits, and on available market experience.^{2/}

Section 221(d)(3). There are no projects under this section of the National Housing Act in Maui. If federal funds are available, a total of about 50 units of Section 221(d)(3)BMIR housing probably could be absorbed yearly in Maui.^{3/} Many of these families also are eligible for Section 235 and 236 housing.

Rent-Supplement Housing. Most families eligible for rent-supplements also are eligible for public housing. To date, a total of 100 units of public housing, in two projects, have been completed in Maui and there are outstanding applications covering about 110 additional units, 50 of which constitute part of a 110-unit Section 202 elderly project in Wailuku on which construction was begun in May 1969. The occupancy potential for rent-supplement housing is calculated to be 75 units a year, including 30 units designed especially for the elderly. This potential does not include housing currently under construction. About 5 percent of the families and 15 percent of the individuals eligible for rent-supplements have incomes within the Section 236 housing income range.

^{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.

^{3/} At the present time, funds for allocations are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

Section 235, Sales Housing. In Hawaii, the maximum allowable mortgage for Section 235 in the ordinary instance is \$25,375. For families of five or more requiring at least four bedrooms, mortgage amounts as high as \$29,000 may be approved. In those areas of Maui in which the large land owners are selling lots, it should be possible to provide a limited number of houses at prices near these limits; much new housing built elsewhere in the area would be too costly. In any case, however, a potential market for about 80 units a year during the next two years is estimated for Maui. All of these families are also part of the potential estimated below for Section 236 housing; a few may have incomes within the rent-supplement range.

Section 236, Rental Housing. The annual occupancy potential in Maui for Section 236 housing is calculated at 100 units, including 80 units for families and 20 units designed for elderly households; a number of these families and elderly households also would qualify for housing under the rent-supplement program.

The Sales Market.

While a very large part of the new construction, even of single-family houses, is visitor-oriented, the market for new homes of all kinds is reported to be strong. The single most important section of the sales market is the development of the Kahalui area on land owned by the Alexander and Baldwin Company. Over the past 18 years, a total of about 2,500 house lots have been sold in this area. In recent years, the level of sales has accelerated somewhat; between April 1968 and April 1969, a total of 363 lots were sold, and 200 lot sales a year is reported to be the average in recent years.

Lots are sold to employees of Alexander and Baldwin at a reduced price in return for an agreement to vacate plantation housing; there have been substantial numbers of sales to others, however. It is reported that the typical house in this area costs between \$15,000 and \$25,000, plus the cost of the lot.

There has been little comparable activity in West Maui which helps to account for the housing shortage in that area; many resort employees must commute from Kahalui, a distance of about 30 miles. There are reports, however, that Amfac plans a development in West Maui similar to the Alexander and Baldwin operation in Kahalui.

Existing houses are selling well at rising prices. A recent local newspaper listed a few houses in the \$20,000-\$25,000 ranges, but many more between \$30,000 and \$50,000. House lots were offered at prices of \$6,000 and up. Condominium units are available at prices of about \$22,000 (for a one-bedroom apartment) and more.

The Rental Market

The rental market on Maui is tight. Prices are high and vacancies are few. Most of the construction is visitor-oriented and in some cases it is difficult to distinguish between rental units, as such, and hotel facilities. The local resident must, therefore, compete in a market in which price levels are set by what may be obtained from visitors. A recent newspaper reported a very few rentals at prices ranging from \$150 (for a small cottage) to \$450 for a large two bedroom, two bath house.

The shortage of suitable rentals for local residents of moderate income has led to consideration of converting old schools into emergency housing. In the very tight Lahaina market, there are current proposals for a 120-unit cooperative development designed to meet the needs of local hotel workers. In both instances, there are problems of high construction costs which tend to put the units out of the reach of many of the households they are intended to serve.

Economic, Demographic, and Housing Factors

Economy. During 1968, an average of 16,050 persons were employed on Maui.^{1/} The data on total employment for the 1966-1968 period, shown in table III, indicate more rapid growth between 1966 and 1967 than between 1967 and 1968. Analysis of the changes in individual industries, indicates, however, that gains in nonmanufacturing were greater between 1967 and 1968 than in the earlier interval, but that these gains were balanced by losses, concentrated in food processing and agriculture. These losses reflect the 61-day strike in the pineapple industry which ended in April 1968, as well as a continued long term trend towards reduced labor requirements in both sugar and pineapple industries.

Despite declines in recent years, agriculture (almost entirely confined to sugar cane and pineapple growing) is the largest source of employment in Maui. Together with food processing, which consists almost entirely of sugar mills and pineapple canneries, agriculture accounts for about a third of total employment. The leading nonmanufacturing sectors--trade, services, and government--provide about 45 percent of the total.

Employment data for Maui are available for the 1964-1968 period, and indicate a declining trend in the rate of economic growth. During 1968, however, there was a reversal in the trend in nonmanufacturing. The favorable indicators observed in early 1969 include extensive resort developments in the Wailea-Kihei area (15,000 acres owned by Alexander and Baldwin) and continued development in the Kaanapali Beach area. Current plans would result in several thousand additional hotel rooms over the next five years.

^{1/} Employment data are for Maui Island, only.

These plans may be given somewhat greater credence than the usual promotional announcements because of the stimulus the direct mainland-Hilo flights and common air fares (which permit tourists to visit all the major islands at \$5 an island) have given visitors to the Neighbor Islands. Between the fourth quarter of 1967, when the new service began, and the third quarter of 1968, passengers landing at Hilo increased from 10,000 to 29,000 and departures from Hilo from 11,000 to 44,000. In the next few years, there will be the further stimulus of the jumbo jets, seating over 350 passengers, which are expected to increase tourist traffic generally.

The indicated increase in the number of hotel rooms would eventually require as many as 5,000 additional workers on Maui, in primary and secondary sources of employment. The limitation on development may not be demand for resort accommodations, but the ability of the area to attract a sufficient number of new residents for available employment. The ability of the expanding economy to retain residents who may now seek employment elsewhere may ameliorate the difficulty.

In the short run, however, it seems reasonable to expect that nonmanufacturing employment may grow by about 600 jobs a year. Allow- ing for a continued slow decline in agriculture, including food pro- cessing, total employment is expected to grow by 500 jobs a year.

Income. In 1969, the median annual income of all families in Maui County is estimated at \$7,650, after deduction of federal income tax. The median income of renter households of two or more persons was \$6,500 after taxes. By 1971, these medians are expected to in- crease to \$8,650 and \$7,350, respectively. Table IV provides distri- butions 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. Popu- lation estimates in this report are consistent with the new official estimates and are, therefore, not comparable with these in the previous published market analysis.

As of July 1, 1969, the population of Maui is estimated at 48,500 compared with 42,576 in April 1960, a gain of 640 persons (1.4 per- cent) a year. On the basis of a sample survey of population charac- teristics conducted in the autumn of 1967, it appears that nearly half the population of Maui County lives in the Wailuku district (including the villages of Wailuku, Kahului, and Puunene and most of the valley land between the mountaineous areas), about 20 percent

in the Hana and Mokawao Districts (East Maui), 12 percent in the Lahaina District (the principal resort area of West Maui) and 18 percent on the small islands of Lanai and Molokai which are part of Maui County.

On the basis of past trends and the economic growth forecast for the Maui area, it is estimated that the resident population will reach 50,000 by the middle of 1971, an increase of 1,500 (3.1 percent) over the July 1, 1969 estimate.

Households. On the basis of local estimates of household numbers and household size prepared as of the fall of 1967, it is estimated that there are 13,000 households in Maui County as of July 1, 1969. There are a small number of persons who are not members of households, and the average household consists of about 3.7 persons, down just a little since 1960.

In the two-year forecast period from July 1, 1969 to July 1, 1971 it is estimated that the number of resident households will increase by 250 a year to a total of 13,500.

Housing Inventory. As of July 1, 1969, the housing inventory of Maui County is estimated to contain 16,500 units.^{1/} Of this total, 13,000 are occupied by resident households and 3,500 are either vacant (a negligible number of the vacant units are available for sale or rent) 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, an estimated 44% (the highest proportion in the state) of the housing units in Maui were owner-occupied in 1968.

The volume of residential construction, as measured by building permits, increased from 450 units in 1966 to over 800 units in 1968. Data for the first three months of the year suggest further increases in activity in 1969 (see table V). These figures compare with an average annual volume of about 400 units a year in the 1960-1965 period. The increase in construction volume was particularly sharp between 1967 and 1968 when the annual total increased by 50 percent. It should be noted that the common air fares which permit inter-island stopovers at \$5.00 began in the fourth quarter of 1967.

The data in this report indicate that the number of households increased from about 11,225 in April 1960 to 13,000 in mid-1967, an increase of 1,775. Over the same period, building permit data indicates that about 4,175 new housing units were added to the housing inventory. Allowing for a reasonable volume of demolitions, it seems likely that at least 2,000 housing units, or about half of the total activity since 1960, has been "visitor" oriented.

^{1/} Estimates based on 1968 estimates of Honolulu Redevelopment Agency adjusted for recent construction volume.

No vacancy information was available for this report. Observation in the area indicated, however, that available vacancies were few in number.

Table I

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

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
\$20,000 - \$22,499	40	20
22,500 - 24,999	40	20
25,000 - 29,999	60	30
30,000 - 34,999	25	13
35,000 and over	<u>35</u>	<u>17</u>
Total	200	100

Table II

Estimated Annual Occupancy Potential
For Privately-financed Subsidized Rental Housing
Maui County, Hawaii
As of July 1, 1969

<u>Unit Size</u>	<u>Number of Units^{a/}</u>			
	<u>Rent Supplement</u>		<u>Section 236</u>	
	<u>Families</u>	<u>Elderly</u>	<u>Families</u>	<u>Elderly</u>
Efficiency	-	25	-	10
One bedroom	10	5	10	10
Two bedrooms	15	-	35	-
Three bedrooms	10	-	25	-
Four or more bedrooms	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
Total	45	30	80	20

^{a/} All of the families eligible for Section 236 housing also are eligible under the Section 235 program and about 60 percent are eligible for Section 221(d)(3)BMIR housing. The estimates are based on exception income limits.

Table III

Labor Force Trends
Maui, Hawaii 1966-1968 a/
 (Annual averages)

	<u>1966</u>	<u>1967</u>	<u>1968</u>
Civilian Labor Force	16,070	16,560	16,790
Unemployed	630	750	650
Percent of labor force	3.9	4.5	3.9
Employed	15,440	15,810	16,050 ^{c/}
Manufacturing	2,460	2,380	2,230
Food processing	2,130	2,070	1,870
Sugar	1,050	980	950
Other	330	310	360
Nonmanufacturing	8,280	8,670	9,200
Contract construction	800	720	820
Transp., commun., pub. util.	830	780	870
Wholesale and retail trade	2,260	2,310	2,430
Fin., ins., real estate	280	330	350
Services and misc.	1,990	2,330	2,480
Hotels	870	1,100	1,220
Other	1,120	1,230	1,260
Government	2,120	2,200	2,250
Federal	120	140	150
State	1,040	1,080	1,090
Local	960	980	1,010
Other	4,700	4,760	4,620
Agricultural	3,010	3,040	2,880
Nonagricultural ^{b/}	1,690	1,720	1,740

a/ Data are for island of Maui, only.

b/ Self-employed, unpaid family workers, domestics.

c/ Does not include an average of 93 persons involved in labor disputes.

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 Income After Deducting Federal Income Taxes
Maui County, Hawaii, Housing Market Area, 1969 and 1971

Annual After-tax Income	1969 Incomes		1971 Incomes	
	All families	Renter households ^{a/}	All families	Renter households ^{a/}
Under \$ 3,000	7	10	6	8
\$3,000 - 3,999	6	10	3	7
4,000 - 4,999	9	12	7	10
5,000 - 5,999	11	12	9	11
6,000 - 6,999	10	11	10	10
7,000 - 7,999	11	12	9	9
8,000 - 8,999	10	9	9	10
9,000 - 9,999	8	6	9	10
10,000 - 12,499	13	10	16	12
12,500 - 14,999	6	3	9	5
15,000 - 17,499	3	2	5	3
17,500 - 19,999	2	1	3	2
20,000 and over	4	2	5	3
Total	100	100	100	100
Median	\$7,650	\$6,500	\$8,650	\$7,350

^{a/} Two persons or more.

Table V

Housing Units Authorized by Building Permits
Maui County, Hawaii 1966-1969

<u>Year</u>	<u>Single family</u>	<u>Multi- family</u>	<u>Total Units</u>
1966	345	106	451
1967	372	164	536
1968	424	381	805
Jan-March 1968	86	73	159
Jan-March 1969	99	111	210

Source: Department of Public Works; Bank of Hawaii,
 Department of Business Research

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