

Spotlight: Hawaii

BY JENNIFER E. GARRETT



THE ALOHA STATE HAS BEEN SAYING "HELLO" TO MORE VISITORS LATELY, AND THAT IS A POSITIVE SIGN FOR HAWAII'S TOURISM-DRIVEN ECONOMY.

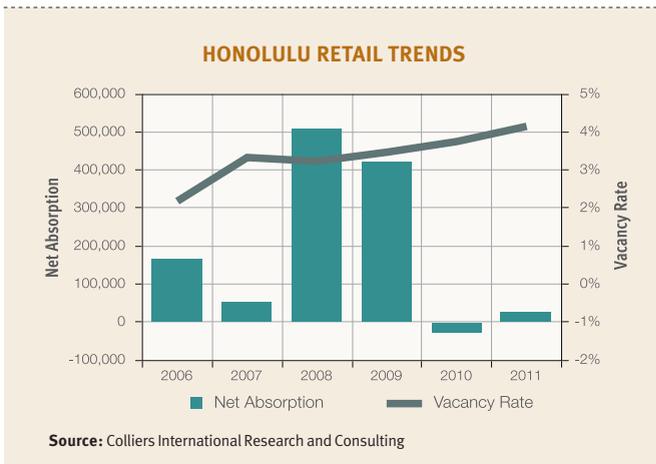
This past year, more than 7.2 million visitors came to the state, a 3.8 percent increase from 2010, according to the Hawaii Tourism Authority. In addition, visitor spending increased 15.6 percent year over year and totaled more than \$12.5 billion. These numbers are expected to continue to improve this year, and the state's Department of Business, Economic Development & Tourism anticipates a 4.4 percent increase in visitor arrivals and a 6.4 percent increase in visitor expenditures for 2012.

Despite the improvement in tourism, the department still forecasts only moderate growth for the overall Hawaiian economy, with a predicted gross-domestic-product increase of 1.8 percent. The construction industry, however, may provide a lift to these numbers in coming years.

According to a recent report from the University of Hawaii Economic Research Organization, construction spending in the state could increase more than 40 percent by 2014 as a spate of developments get off the ground. In addition to planned condominium, retail and resort developments, construction began this past April on Honolulu's massive \$5.17 billion elevated rail transit project. Construction spending is predicted to grow 9.6 percent to nearly \$6.4 billion this year, and employment in this sector is forecast to increase by 2.1 percent.

Honolulu Retail Market

The retail market is one of the strongest commercial property types in Honolulu. After posting a negative net absorption of 26,673 square feet in 2010, Honolulu rebounded this past year with a modest absorption of 26,293 square feet, according to Colliers International Research and Consulting. Retail vacancy rates in the city increased from 3.75 percent in 2010 to 4.15 percent this past year, but the national numbers put this into perspective, with a 10.4 vacancy rate posted nationwide. The average asking rent for Honolulu retail space is \$3.43 per square foot per month.



Because economic growth is likely to remain slow, Colliers anticipates little change in the retail sector this year. The company anticipates that vacancy rates will hover around 4 percent, and rental rates will decrease less than 2 percent by the end of the year.

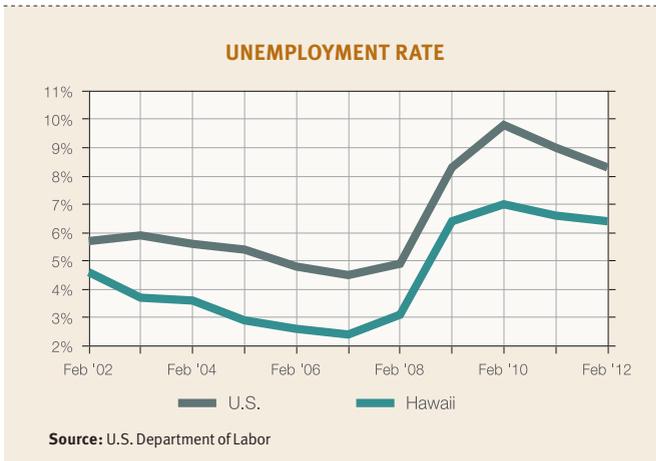
Focus: Hospitality

The hotel industry in Hawaii is still in recovery mode, but steady progress is being made. This past year, the statewide occupancy rate was 73.4 percent, ranking it fourth in U.S. markets and marking an increase from the 70.7 percent occupancy seen in 2010, according to data from Hospitality Advisors LLC. The average daily rate statewide increased from \$174.84 in '10 to \$189.62 this past year. Statewide room revenue also improved, increasing 12.7 percent year over year. The \$2.87 billion in revenue earned this past year was the highest total for the state since 2007.

Unemployment

The Hawaii unemployment rate hit its lowest level in three years this past February. After peaking at 7 percent in February 2010, unemployment in the state has been gradually trending down. This past February, the unemployment rate was 6.4 percent after four consecutive monthly decreases, significantly better than the national rate of 8.3 percent.

The education and health-services sector had the largest month-over-month gain, adding 1,000 jobs this past February, but the leisure and hospitality sector had the largest year-over-year gain, adding 4,300 jobs.



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3 Areas to Watch

HILO



The University of Hawaii at Hilo Research Park already houses several high-tech and astronomy facilities, including the Pacific International Space Center for Exploration Systems. Now, the state legislature is looking to formalize this sector by creating an "aerospace high-technology district" in Hilo. The district would foster collaboration and attract new businesses to the area with tax breaks and other incentives.

EAST KAPOLEI



DeBartolo Development is moving ahead with plans for a 1.4 million square foot regional shopping mall in West Oahu. The \$400 million mixed-use development will be built in stages on 67.7 acres of land leased from the Hawaiian Homes Commission. Construction on the first phase is slated to begin later this year and be completed by 2014.

KAHULUI



A new Courtyard by Marriot hotel is scheduled to open this month near the Kahului Airport on Maui. A&B Properties Inc., the real estate arm of Honolulu-based Alexander & Baldwin Inc., owns the four-story, 138-room hotel. Maui hotels earn the most revenue per available room of all the Hawaiian Islands, getting an average of \$172.59 per room this past year, a 12 percent increase from 2010.



WHAT THE LOCALS SAY

"[Commercial real estate] is mixed. Retail has been strong through the recession, and there are a lot of retail projects in the pipeline. The weakest is office right now. We've had virtually no new construction. There's a feeling [in the industry] that we're going to have a big boom in high-rise condos in Honolulu. Things are looking pretty good for us. We're at the bottom, and things are starting to look up."

— JAMES M. BROWN, PRESIDENT, HAWAII COMMERCIAL REAL ESTATE LLC

Sources: CNBC.com; Colliers International Research and Consulting; Hawaii Tourism Authority; *Hawaii Tribune-Herald*; Hospitality Advisors LLC; *The Maui News*; *Pacific Business News*; State of Hawaii Department of Business, Economic Development & Tourism; State of Hawaii Department of Labor and Industrial Relations; U.S. Department of Labor; University of Hawaii Economic Research Organization; UpdateHawaii.com