

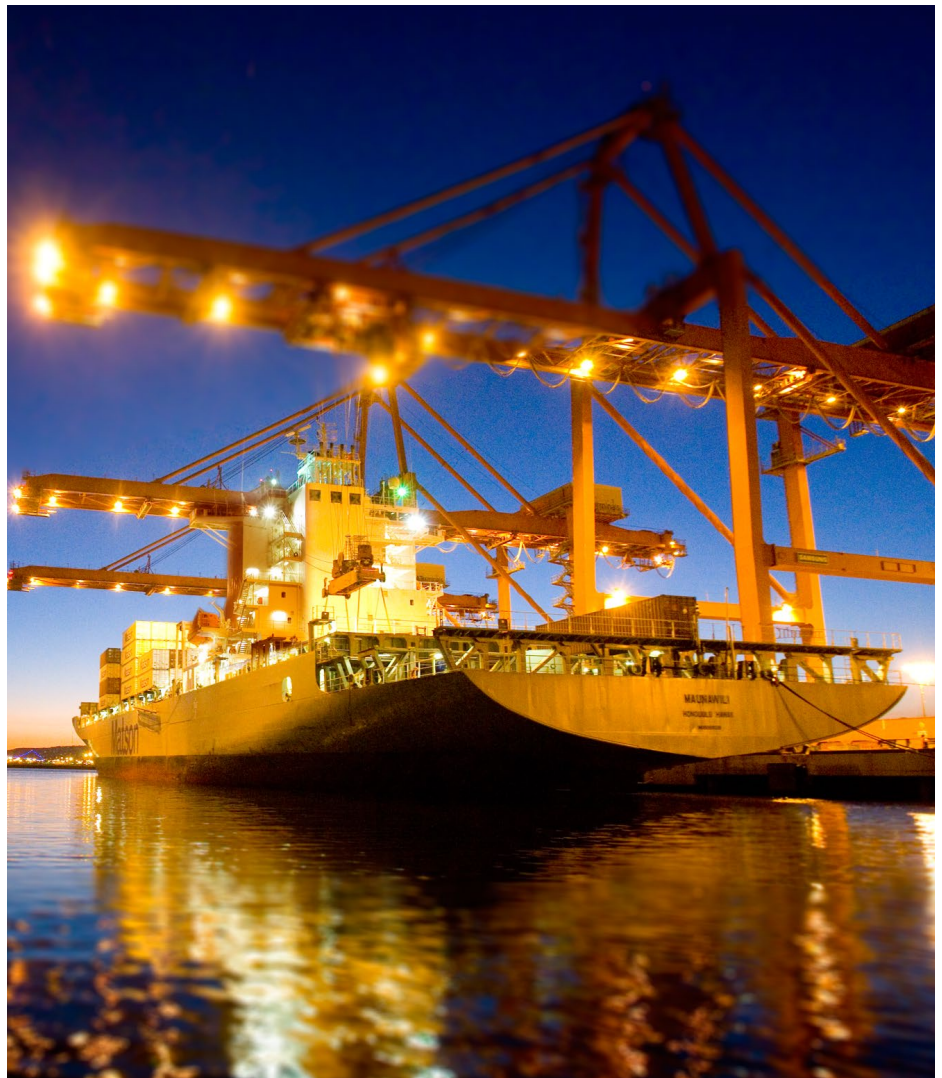



UHERO
 THE ECONOMIC RESEARCH ORGANIZATION
 AT THE UNIVERSITY OF HAWAII

UHERO FORECAST PROJECT
 HAWAII CONSTRUCTION FORECAST:
 PUBLIC SUMMARY

CONSTRUCTION BUILDING UP

MARCH 27, 2015





UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

HAWAII CONSTRUCTION FORECAST

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EXECUTIVE SUMMARY

Last year's construction gains were smaller than anticipated. Activity will ramp up a bit this year, as Kakaako condo building intensifies and new tourism-related projects add to the mix. The more attenuated schedule of rail building and lagging single-family development will generate a lower and later peak to the current construction cycle.

- Despite the surge in Kakaako condo construction, residential building permits fell last year. This reflects in part long lags in permitting for the residential components of high-rise development, but also exceptionally weak permitting for single-family homes. As high-rise permits come through, residential numbers will rise. Assuming affirmative resolution of ongoing entitlement battles for Hoopili and Koa Ridge, single-family building will begin to pick up over the next two years.
- The non-residential side of the market has been strong, driven by tourism-related projects and retail development statewide, as well as permits for early stages of Kakaako high-rises, which get classified as nonresidential. The big surge in activity is probably over, but there will be some additional growth over the next two years. The nonres. cycle will top out in 2016 before beginning to ebb.
- Contracting for government construction fell off last year, and, while there are a significant number of large projects in the works, there is no indication of significant additional growth. Risks are to the downside, both because of conservatism in State spending plans and uncertainty about military funding.
- Along with the dearth of new home building, sales of existing homes were also slow last year, and price increases have been mild considering the limited inventory. We expect price pressures to mount, although low mortgage interest rates will help with affordability. Oahu prices will rise more rapidly in coming years if large-scale housing developments fail to move forward, since Kakaako alone will not meet anticipated housing demand.
- The construction cycle has been very stingy with job creation. In part this may reflect the fact that activity is centered in high-rise and commercial building, which is less labor intensive than single-family home construction, as well as the slower acceleration of rail. We expect mid-single-digit job growth for the next several years, bringing construction employment to just over 37,000 workers by 2017.

HAWAII CONSTRUCTION FORECAST (SUMMARY)

	2012	2013	2014	2015	2016	2017
Total Commitments to Build (Mil 2014\$)	3,830	4,177	4,412	4,717	5,248	5,330
% Change	45.4	9.1	5.6	6.9	11.2	1.6
GE Contracting Tax Base (Mil 2014\$)	7,853	7,820	6,944	7,596	8,518	9,145
% Change	16.9	-0.4	-11.2	9.4	12.1	7.4
Construction Job Count (Thou)	29.4	31.0	31.6	33.2	35.4	37.3
% Change	2.1	5.5	1.7	5.1	6.6	5.5
Honolulu Median Home Price (Thou \$)	624.9	647.0	675.6	709.6	772.2	816.8
% Change	8.5	3.5	4.4	5.0	8.8	5.8
Honolulu Median Condominium Price (Thou \$)	316.0	333.6	350.4	365.0	394.7	428.0
% Change	5.3	5.6	5.0	4.2	8.1	8.4

Note: Source is UHERO. Figures for 2015-2017 are forecasts. Tax base for 2014 is a UHERO estimate. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. Additional detail available to subscribers and sponsors.

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