



**UHERO**  
THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

UHERO FORECAST PROJECT

HAWAII CONSTRUCTION FORECAST:  
PUBLIC EDITION

# CONSTRUCTION EASING, BUT MORE IN THE PIPELINE

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## HAWAII CONSTRUCTION FORECAST

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## EXECUTIVE SUMMARY

After several years of rapid expansion, the pace of building has eased. A number of significant condo and retail projects have wrapped up on Oahu, while fewer new buildings have broken ground, resulting in an overall reduction in construction activity and employment. But statewide there remain enough new projects in the pipeline to maintain construction activity near its current level through the end of the decade.

- Residential building has plateaued as the Kakaako condo boom eases, but a new wave of towers in the Ala Moana area and growing suburban development should sustain homebuilding near current levels. While Maui has seen a flurry of residential building in recent months, the Big Island and Kauai continue to lag behind and face limited near-term prospects.
- The pace of home buying has accelerated, but the high end of the market is softening. While home prices continue to advance, they remain below their 2007 peak levels after adjusting for inflation. Lagging income, household debt burdens, and still-tight credit are weighing on the market, even as low mortgage rates remain supportive.
- Resort renovation and development have been leading components of non-residential construction. A number of projects will wind down this year, but another surge will come if plans for several high-profile properties come to fruition.
- Despite the recent closure of two big-box stores and the ongoing squeeze from online retailers, there is considerable retail and commercial development planned for the next several years, particularly on Oahu. Headwinds include relatively high vacancy rates and competition from online retailers.
- Public construction is expected to settle slightly below the ten-year peak reached in 2016. Government contracting will continue to be an important support for the industry. While the legislature approved additional funding for Honolulu Rail, the estimated completion date for the project has slipped to 2025.
- Costs to build in Hawaii remain very high, but the plateauing of building activity has reduced the pace of further cost escalation. Construction costs will grow roughly in line with broader inflation measures. Rebuilding from hurricanes Harvey and Irma could have an adverse impact on the construction costs here.
- Real income and employment in the construction sector have declined this year, which is weighing on the overall state economy. The industry is now past the peak of the current cycle, yet we do not expect the kind of sharp falloff that we experienced in the past two bubble-driven cycles. Instead, both jobs and real income in the sector will hover near their current levels through the end of the decade.
- Most risks to the forecast are to the downside. These include local economic slowing or regulatory changes that might prompt the cancellation of planned Honolulu condo towers, a marked cooling of tourism that derails resort plans, or any of a number of external political or economic shocks.

## HAWAII CONSTRUCTION FORECAST (SUMMARY)

	2015	2016	2017	2018	2019	2020
Total Commitments to Build (Mil 2016\$)	5,619	4,914	4,747	5,010	5,002	5,028
% Change	19.0	-12.6	-3.4	5.5	-0.2	0.5
Real GE Contracting Tax Base (Mil 2016\$)	8,261	8,288	8,780	8,727	8,694	8,780
% Change	9.8	0.3	5.9	-0.6	-0.4	1.0
Construction Job Count (Thou)	35.0	38.0	36.6	36.4	36.7	36.8
% Change	8.8	8.8	-3.8	-0.4	0.8	0.1
Honolulu Median Home Price (Thou \$)	697.5	735.3	757.2	791.2	820.9	834.7
% Change	3.2	5.4	3.0	4.5	3.8	1.7
Honolulu Median Condominium Price (Thou \$)	362.1	389.0	405.6	432.7	455.5	471.5
% Change	3.3	7.4	4.3	6.7	5.3	3.5

Note: Source is UHERO. Construction job counts for 2016 are UHERO estimates of the benchmark revision. Figures for 2017 are UHERO estimates. Figures for 2018-2020 are forecasts. 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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