

First Hawaiian Bank 2013 Maui County Economic Outlook

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JOB CREATION, CONSTRUCTION REBOUND, ROBUST TOURISM MAKE MAUI NO KA OI AMONG NEIGHBOR ISLAND ECONOMIES

(Kahului, Hawaii, September 7, 2012) – Thanks to stronger job creation, a continued robust visitor industry and growing strength in construction, Maui is doing considerably better economically than the other Neighbor Islands, economist Dr. Leroy Laney said today.

"For the past couple of years, one of the biggest underlying messages about the state economy has been the contrast between the recovering tourism sector and lagging construction. In 2012, for Maui at least, that message is changing," Laney said today at the 38th Annual First Hawaiian Bank Economic Outlook Forum held at the Maui Beach Hotel.

"Tourism has been healthy on all islands recently. Its relatively quick snapback from the Great Recession puts the entire state economy ahead of some other regional economies that saw their main economic engine disappear and not return," said Laney, First Hawaiian Bank economics adviser and professor of economics and finance at Hawaii Pacific University. "But construction's revival on Maui is bigger news. Maui is the only Neighbor Island that exhibits much in the way of current or near-term growth prospects in the construction sector.

"Maui construction jobs have shown an uptick recently, the only one of the four counties to see that kind of increase. This is one of the reasons for overall Maui job gains. Most of the construction is commercial, not residential, so it's mainly bigger contractors that are doing well, with some continued shakeout among smaller ones."

Laney cited a striking 350% increase in private construction permits on Maui for the first quarter of 2012 compared to the same quarter of 2011. "Any time one sees that kind of surge, it's probably due to a few major projects," he said. He noted these ventures under way or in the pipeline:

- Courtyard by Marriott, an Alexander & Baldwin hotel, had its grand opening in July. "This \$16.5-million, 138-room hotel is minutes from Kahului Airport and well suited for several markets: interisland business travelers, state residents in sporting events, flight crews, and visitors who miss or have delayed flights. The property should do well," Laney said.
- A&B's 179-acre Maui Business Park Phase II, zoned for light industrial use close in to Kahului and near the harbor. Lot closings are anticipated for late 2012.
- The Andaz Wailea hotel project, renovation of the shuttered Renaissance hotel as a boutique accommodation (part of the Hyatt family). It's due for an early 2013 opening.
- Maui Lani Village Center. Adding to existing tenants like Paradise Beverage, Oceanic Time Warner, and the Mormon Church are others in the building process – like Walgreens and Ace Hardware, Laney said.
- "Kaheawa Wind Farm Phase II added 14 more wind towers to the existing 20 on the ridge above Ma'alaea. And Ulupalakua Auwahi wind farm has broken ground for eight more turbines on the slopes of Haleakala," he said.
- The master-planned Honua'ula project in Wailea received environmental approval in July. It envisions up to 1,150 housing units above Wailea Resort, a golf course, clubhouse, and retail/commercial components, plus 250 affordable housing units off-site.
- Also down the pipe is a Consolidated Car Rental Facility at the airport.

Other comments by Laney:

Jobs: "Jobs in each of Hawaii's four counties peaked in December 2007, the same month the national economy entered recession," Laney said, and the job count has been climbing out of the post-recession hole ever since. "The real story here is Maui, with the help of tourism, construction and retailing. At the deepest part of the Great Recession, Maui was bringing up the rear in job creation relative to other counties. Yet it has made the greatest strides since then. Its level of

jobs is now only 6% below the 2007 peak. The gap between Maui's jobless rate and the state rate has been narrowing steadily, the only Neighbor Island for which that is the case."

Tourism: "The Maui visitor industry continues to perform very well. The island's 2012 growth in visitor arrivals and spending doesn't look quite as spectacular as it did in the immediate snapback from recession. Maui got its airlift back more quickly than Hawaii Island and Kauai, so the fact that those islands are only now regaining their airlift makes their growth numbers now look stronger by comparison. Still, in every measured category -- arrivals, visitor days, length of stay, total spending, person per day and person per trip spending -- Maui continues to be up from 2011."

Laney noted increasing airlift to Maui from Oakland, San Jose, Seattle, Sacramento, Bellingham, Monterey and Canada.

"Maui's comparative advantage among Hawaii tourism destinations, as well as tropical destinations elsewhere, still resides in its upscale image and in the choice it offers -- in accommodations, activities, cuisine, and other components of a quality vacation. So Maui can look forward to continued support from its main industry, even if other sectors falter due to external cyclical conditions in the future," Laney said.

Residential real estate: "Maui real estate sales have picked up, as falling prices and lower mortgage rates increase affordability. It may be a buyer's market, but buyers who wait too long may lose the property. Inventories have declined almost 20% over the past year for both single-family and condo units. Short sales and foreclosures are being absorbed as the market returns to normal," he said.

"The decline in median prices for both single-family homes and condos seems to be reversing, or at least leveling off. Well-priced homes attract multiple offers, and sellers are being advised by Realtors to get pre-approval so they can shop with greater confidence."

Sugar: "HC&S, the state's lone remaining sugar plantation, has survived mainly because of its size -- 35,000 acres. Its future is looking up some. HC&S sugar production has been rising in recent years. While production is still below its target of 200,000 tons a year, it seems to be getting there," Laney said. "The plantation has achieved this mostly by bringing more acres back into production. Water availability is still a problem, and HC&S has suffered under what has turned into a 12-year drought. With sufficient water and sunlight, sugar can be cultivated even in very poor soil. Thus, Maui's central valley is appropriate for sugar, but other farm crops that require better soil are not likely to make it. A number of other crops have been tried there over the years, none with much success.

"HC&S management emphasizes that the future there is biomass energy creation, not food sugar. The plantation provides 5-6% of Maui Electric's power, and it used to provide more than that."

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