

## **First Hawaiian Bank Releases 2011-2012 Kauai County Economic Outlook: Strong Tourism Gains Fuel Upbeat Kauai Economic Trend**

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### **STRONG TOURISM GAINS FUEL UPBEAT KAUAI ECONOMIC TREND**

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(Poipu, Hawaii, September 1, 2011) – "Kauai's economy, led by strong tourism gains, is demonstrating a somewhat more upbeat trend than other Neighbor Island counties. Its spirit of measured optimism prevails despite the very slow pace of recovery," economist Dr. Leroy Laney said today.

Laney, First Hawaiian Bank economics adviser and professor of economics and finance at Hawaii Pacific University, spoke at the 37th Annual First Hawaiian Bank Business Outlook Forums held at the Grand Hyatt Kauai Resort and Spa.

In addition to tourism, the island benefits from the strong, stable presence of the Pacific Missile Range Facility, one of Kauai's largest employers, and the diversification of its agriculture sector into seed corn and coffee, Laney said.

"Kauai and all the rest of Hawaii's counties are still below their pre-recession year 2007 peaks for most economic variables, however," he added. "And given the slowness of the recovery, it may be a year or two before those pre-recession levels are finally attained. But Kauai it has traveled a little further toward reaching those pre-recession peaks."

#### **Jobs**

"At mid-year 2011, Kauai was about 9% below its pre-recession peak for nonfarm jobs. Compare that to 10% for Hawaii Island, 22% for Maui and 3% for Oahu. So even though Kauai took bigger hits than its two Neighbor Isle counterparts during the recession, it has made up for that in its better recovery," Laney said.

"The Kauai jobless rate has been creeping downward (with some reversals) as has been the case nationally and elsewhere in the state. Those slow improvements will likely continue in the future."

#### **Tourism**

"The snapback in Kauai tourism recently has been strong. Arrivals have been growing robustly, and visitor spending growth even stronger, helped by the additional \$1 million in marketing funds provided by the Mayor and County Council," Laney said. "In some recent months, growth in Kauai visitor numbers has easily topped the other islands and the state as a whole. Kauai can also thank its strong brand image and stable time-share segment.

He noted these industry developments:

- Kauai's "stellar reputation as a visitor destination" has been recognized by Travel + Leisure magazine repeatedly in recent years. "This year it fell to #8 on the magazine's world list, but that's still quite good," Laney said.
- Alaska Airlines added more direct flights to Lihue from San Jose and Oakland, while West Jet continues its seasonal direct flights from Vancouver.
- Grand Hyatt Resort and Spa and Courtyard by Marriott at Coconut Beach used the recession lull to reinvest in their properties. Also, the Sheraton Poipu is undergoing a \$19 million renovation with a planned expansion of time-share. Kauai Lagoons opened its renovated golf course.
- In tourism retailing, Kukui'ula Shopping Village has been an increasing magnet for visitors and locals alike.

#### **Film Industry**

"Kauai, a prime location for movies and TV films, had a very good year in 2010, with four feature films on-island," Laney said – Sony Pictures' Soul Surfer (about island native Bethany Hamilton) and Just Go With It, Disney's Pirates of the Caribbean; On Stranger Tides, and Fox-Searchlight's The Descendants (to be released shortly).

"Kauai is such a great location because it doubles well for other places in the world, but it gets a special publicity boost when the movie is actually set on Kauai, as has been the case with couple of recent productions."

### **Construction**

"One reason Kauai job growth has been stronger recently than other Neighbor Islands is greater strength in its construction sector, thanks in part to public projects such as the continued widening of Kaumuali'i Highway in Lihue and the just completed Bryan Baptiste Memorial Bridge in Wailua," Laney said.

He also noted "a smattering of private residential construction," such as a few units in Grove Farm's Pikake Subdivision, Poipu Beach Estates, an ag subdivision on the North Shore, and a smaller number in A & B's Kukui'ula on the South Shore. Kukui'ula also has just completed its golf course and clubhouse.

"A future construction boost will come when Hokulei Village goes in with its super-Safeway store anchor. With the Lihue Big Save going out, that Safeway will fill a void in the market," Laney said.

However, he said weaker data on private construction permits this year could foretell "a lull coming in Kauai construction," forcing the industry to rely more on state projects such as another \$46 million for Kaumuali'i Highway, Port Allen harbor repair, Kapa'a School library, and airport improvements.

### **Real Estate**

Data for 2011 from the Hawaii Information Service show sales "for single-family units are leveling off, but still rising for condos," Laney said. "Median prices for single-family units remain about flat, but for condos they are now falling faster."

The Kauai Association of Realtors reports that the number of Realtors on the island has dropped almost 40% from the peak, he said.

### **Pacific Missile Range**

"The Navy's Pacific Missile Range Facility is one of the island's largest employers with a payroll of about \$50 million and an employee base exceeding 900 -- including civilian, civil service and military personnel," Laney said. "PMRF estimates a total \$125 million annual impact on the Kauai economy, plus an estimated \$11 million more associated with visitors in test events."

Congress also recently passed a \$68 million bill authorizing construction of an Aegis Ashore Test Facility, which will further solidify the site as the country's premier test and training range, he said, while strengthening its role in Kauai's economy.

### **Agriculture**

"Kauai is an ideal research laboratory for the seed corn industry because at least three crops per year can be grown, compared to Mainland operations that can produce only one to two," Laney said. "The seed industry is predicted to remain stable during tough economic times because of the steady demand from farmers on the Mainland and around the world."

There are currently five parent seed corn operations on the island: Pioneer Hi-Bred International, Inc., Syngenta, Dow, Monsanto, and BASF. "Kauai continues to produce the largest share of the state's coffee," Laney said. Kauai Coffee Company, largest coffee plantation in the United States, was recently purchased by Massimo Zannetti, USA, a \$2 billion

per year roasting company with American brands including Chock Full 'O Nuts, Hills Brothers, Chase and Sanborn, and MJB.

First Hawaiian Bank (fhh.com) with assets of \$15 billion is Hawaii's oldest and largest bank providing its customers with Service, Solutions and Security. The bank operates 58 branches in Hawaii, three on Guam and two on Saipan.

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