

What's Happening in... Honolulu?



Nestled in the heart of the sparkling Pacific, the Hawaiian Islands are known for their balmy tropical climate, lush landscape and some of the best tourist spots in the world, including Honolulu's famous Waikiki Beach.

The capital city of Honolulu is also Hawaii's business and trading hub, with the defense sector, manufacturing, healthcare and research all playing a role in the city's growing economy.

Given these factors, its unique location and natural beauty, Honolulu is perennially popular with tourists and investors alike. So how have things been going in this bustling metro over the past two years?

Hospitality Still "Hot"

The hospitality industry is one of Honolulu's biggest revenue drivers, and the sector has performed admirably in recent years. Even as general US hotel occupancy and rates continue to struggle, Oahu island (where Honolulu is located) has stayed on top of the pack with 74.4% occupancy in January 2023 compared to only 40% in some other markets.

CoStar reports that Honolulu is also expected to outperform this year in comparison to other Hawaiian locations, like Maui, stating: "The Oahu hotel market, which is home to the Hawaii state capital of Honolulu, is forecasting growth in occupancy and rate as business and group travel increase."

They add, however, that there will likely be some normalization in Average Daily Rate (rental income per room) based on the growth Hawaii's hospitality sector has seen in recent years. Emmy Hise, Senior Director of Hospitality Analytics for CoStar, outlines it like this:

What's Happening in... Honolulu?

“Hotel ADR in the state of Hawaii in 2022 was \$371.21, up 12.4% from 2021. For the first two weeks of January 2023, Hawaii’s hotel occupancy was 75%, up from 65% last year. Its ADR was \$422, up from \$381 last year.” He adds: “Obviously, this is tremendous growth. And that’s part of why the forecast is for some normalization because it just can’t keep going.”

New Housing Projects

Another area attracting big investment in Honolulu is multifamily housing. Hawaii Business reports that several privately funded, large-scale housing developments are underway, with the goal of meeting the surging demand for affordable housing in the area.

Apartment buildings targeting median-income renters are in short supply and increasingly, investment capital is flowing toward these ‘social good’ projects.

Hawaii Business puts it like this: “[T]he developers and equity partners we spoke with for this story say investors are often willing to take lower returns in exchange for the social good of providing much-needed housing units in the Islands.”

The new multifamily projects are anticipated to help address a 40,000-50,000-unit shortfall in affordable housing for the state.

Construction Pipeline

In addition to multifamily developments, the construction sector in Honolulu also has “many key projects in the pipeline” according to construction consultancy Cumming Group. Cumming’s data shows that the construction market is still projected to be “in the green” in 2023 (+6.1%), with a slight drop-off (-2%) in 2024.

Infrastructure projects are the biggest drivers of growth, with a massive overhaul in the cards for Oahu’s Pearl Harbour and upgrades planned for Honolulu’s Aloha Stadium and surrounds.

All of which adds up to a pretty big economic boost for Oahu and the Hawaiian islands in general, though some slowdown is expected in most ‘non-infrastructure’ sectors.

Sarah Love, President of the Building Industry Association (BIA) of Hawaii says: “I think everybody’s forecasting 2023 to be a transitional year. Higher interest rates will have a chilling effect on the industry, both in the residential and commercial sectors.”

She adds that whether projects go ahead is going to depend largely on whether they’ve already secured financing.

Outlook Upbeat

Overall, Honolulu, and the greater Hawaii area, certainly seem to still have a lot of steam in terms of new projects, new growth and new opportunities, despite the uncertainty of 2023. For those looking to invest in the area, our top advice, as always, is to seek out local expertise before making a move.

Interested in investing in Honolulu? Contact our local office at NAI CBI Hawaii for more information about opportunities across the Hawaiian Islands.