

Current Hawaii Economic Conditions

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Positive Signs in the Economy

- Overall, Hawaii's economy is on a normal growth path
- Labor market will continue to improve in 2016
- Construction industry will continue to expand in 2016
- Hawaii's economy will grow at the similar rate as the nation in 2016 between 2.0% and 2.5%
- Hawaii's unemployment rate will still be better than the nation in 2016

Challenges in the Economy

- Economic slowing down in most of the countries worldwide
- Many Hawaii industries are still recovering
- Hawaii and Kauai Counties are still recovering
- Unemployment due to economic reasons is still high
- Air seat growth significantly slowing down and will lead visitor industry growth slowing down
- Construction industry momentum is weakening
- Reduction in military presence

Presentation Layout

- **A Review on Economic Growth**
- **Labor Market**
- **Construction and Real Estate**
- **Tourism**
- **Military**

A Historical Review of Hawaii's Economic Growth

Indicator	Annual average growth, %			
	30 years, 1984 - 2014	20 years, 1994 -2014	2015	2016
Real GDP	2.0	1.2	2.0	2.3
Real personal income	1.9	1.7	3.6	3.0
Honolulu inflation rate	3.2	2.3	1.0	2.3
Non-Ag wage and salary jobs	1.3	0.8	1.3	1.2
Unemployment rate 1/	4.7	5.0	3.8	3.7
Visitor arrivals by air	1.8	1.3	4.4	1.8
Real visitor expenditures 2/	1.0	-0.07	2.1	1.2

1/ Average of 30 years, 1984 – 2014.

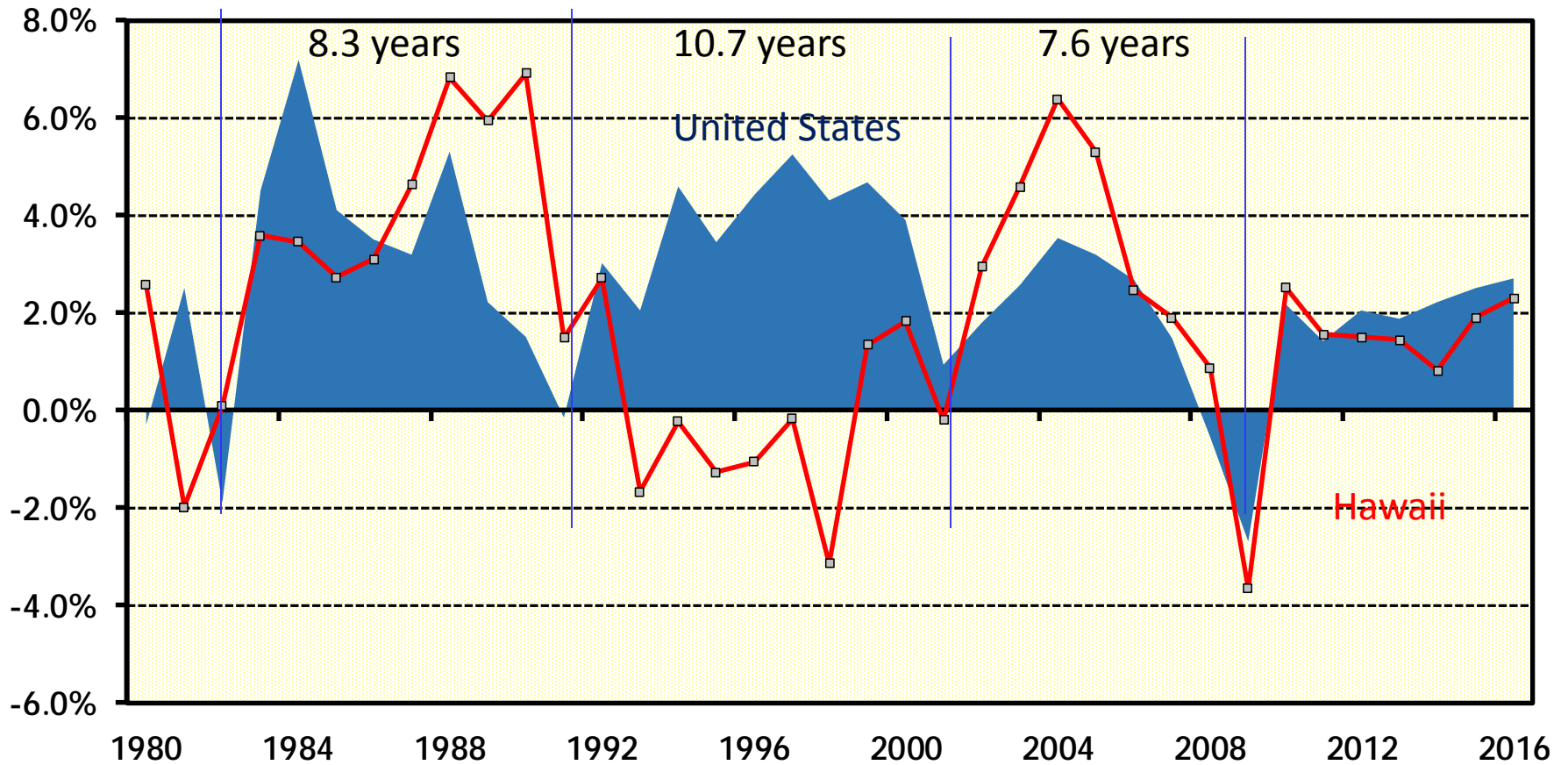
2/ Deflated by Honolulu CPI.

Many of the Economies of Hawaii Visitor Origin Countries Will Experience Slowing Down

	2013	2014	2015	2016
USA.	1.5	2.4	2.5	2.5
Canada	2.0	2.4	1.1	2.1
Japan	1.6	-0.1	0.6	1.1
S. Korea	2.9	3.3	2.6	2.8
Hong Kong	3.1	2.5	2.3	2.2
Taiwan	2.2	3.8	1.1	2.1
China	7.7	7.3	6.9	6.4
United Kingdom	1.7	3.0	2.4	2.2
Germany	0.2	1.6	1.5	1.8
France	0.7	0.2	1.1	1.4
Eurozone	-0.3	0.5	1.5	1.7
Australia	2.1	2.7	2.3	2.5
Brazil	2.7	0.1	-3.3	-2.4

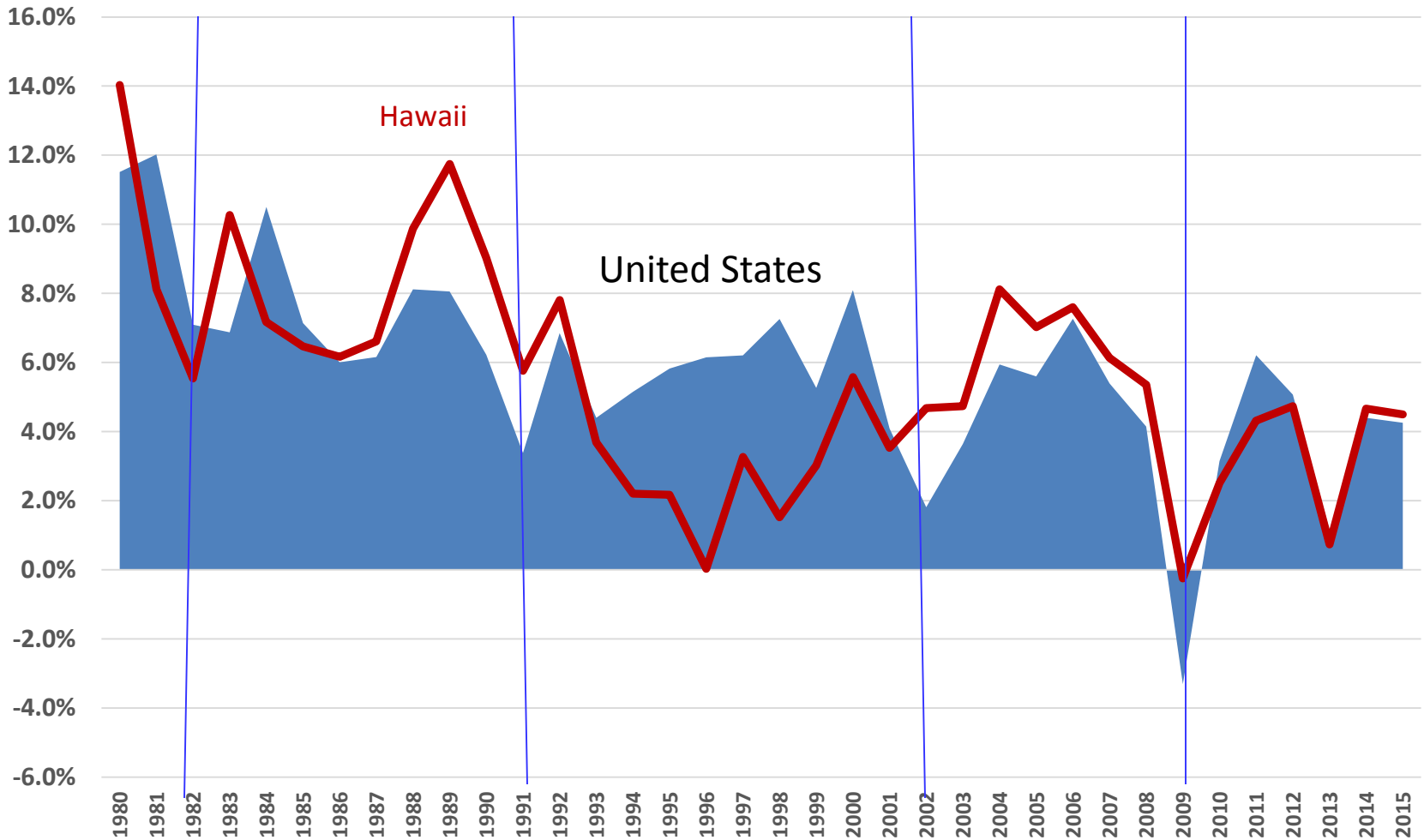
Hawaii's economy has been following the U.S. in the most recent two business cycles

Real GDP growth, % change from previous year



Source: US BEA, DBEDT, NBER, and Blue Chip Economic Indicators

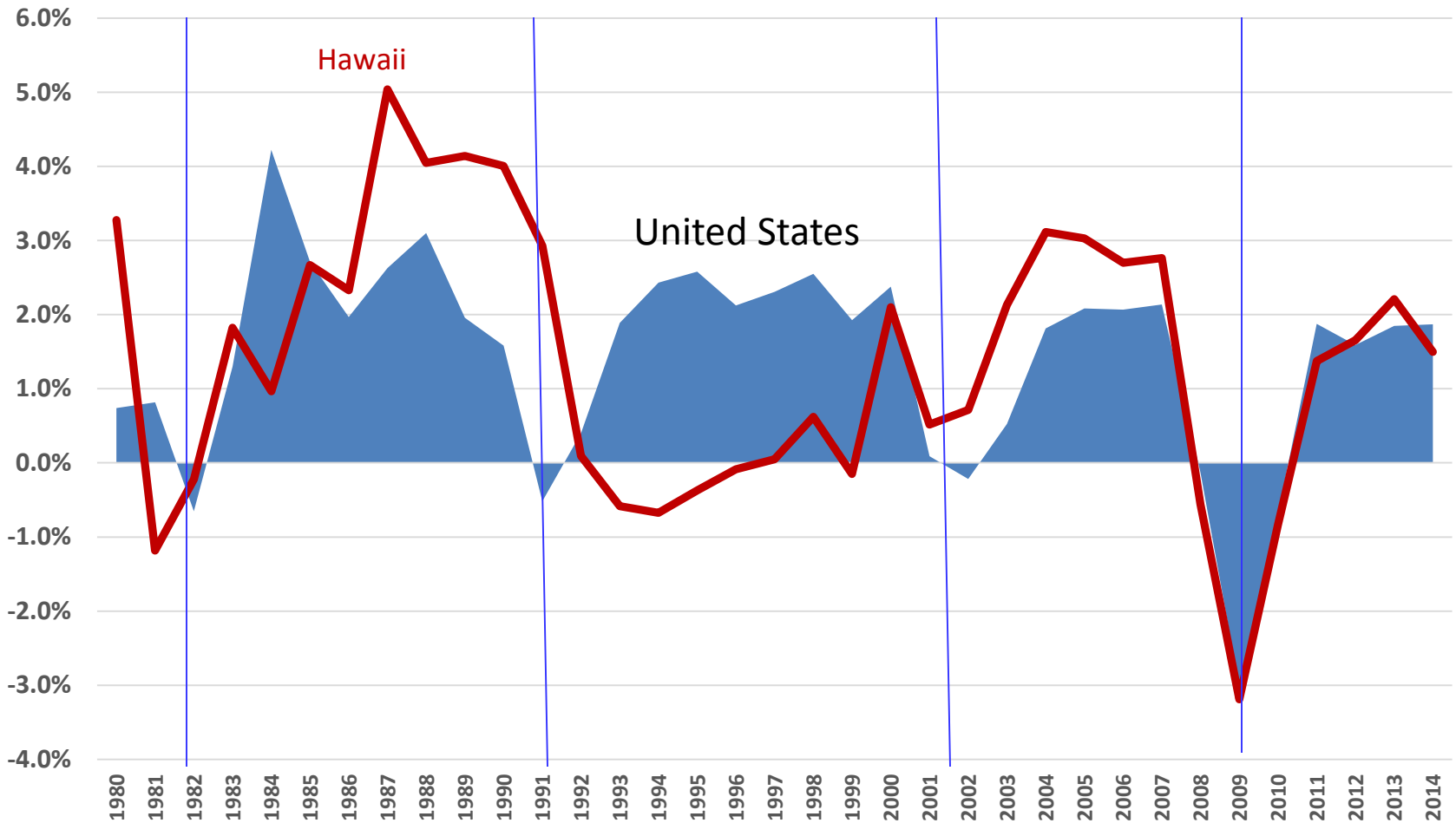
Personal Income Growth: U.S. and Hawaii



Source: U.S. Bureau of Economic Analysis

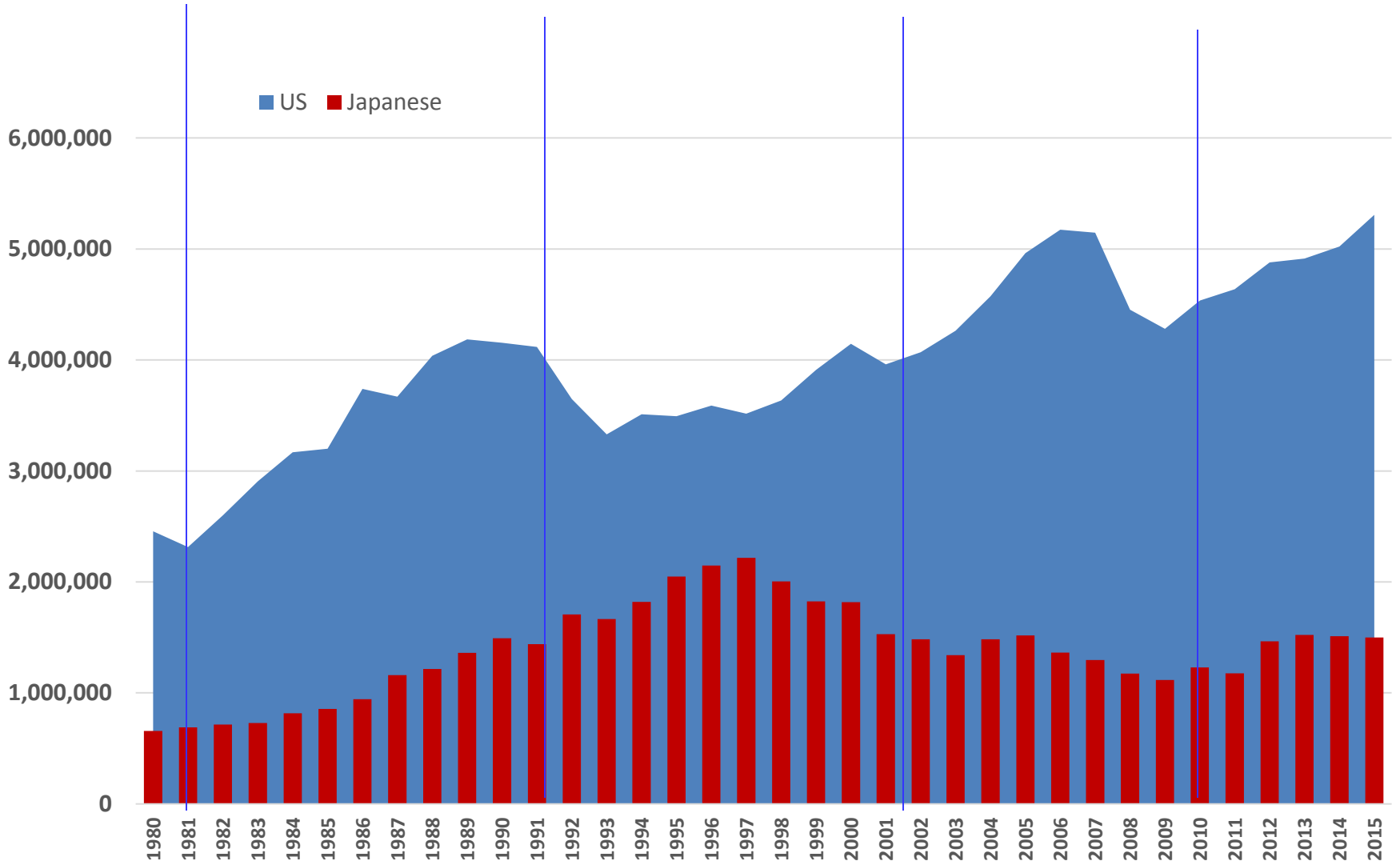
Total Job Growth: U.S. and Hawaii

Total jobs including payroll jobs and proprietors, both full-time and part-time



Source: U.S. Bureau of Economic Analysis

U.S. and Japanese Visitor Arrivals to Hawaii: 1980 - 2015

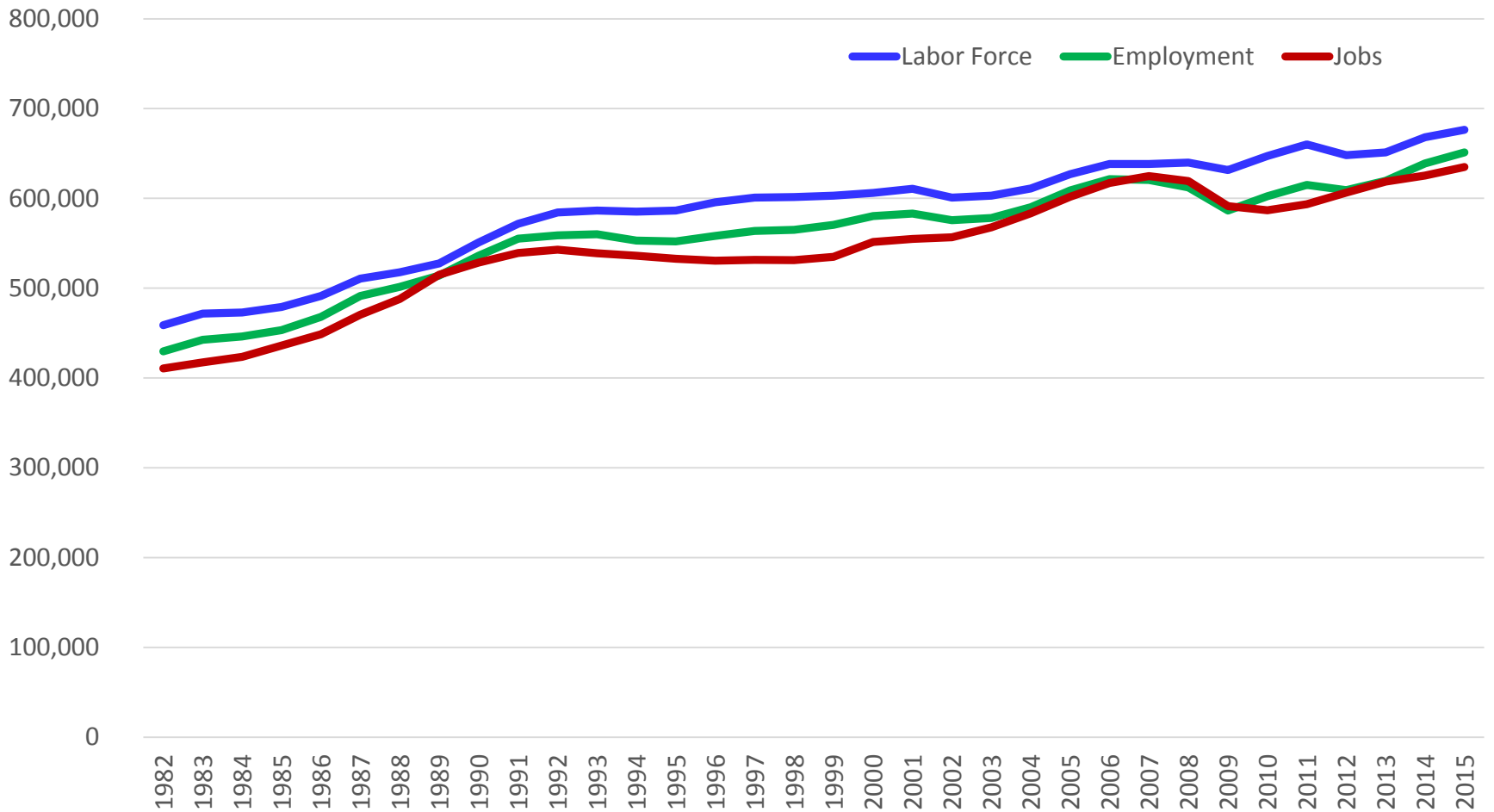


Source: HVB, DBEDT, and HTA

Labor Market

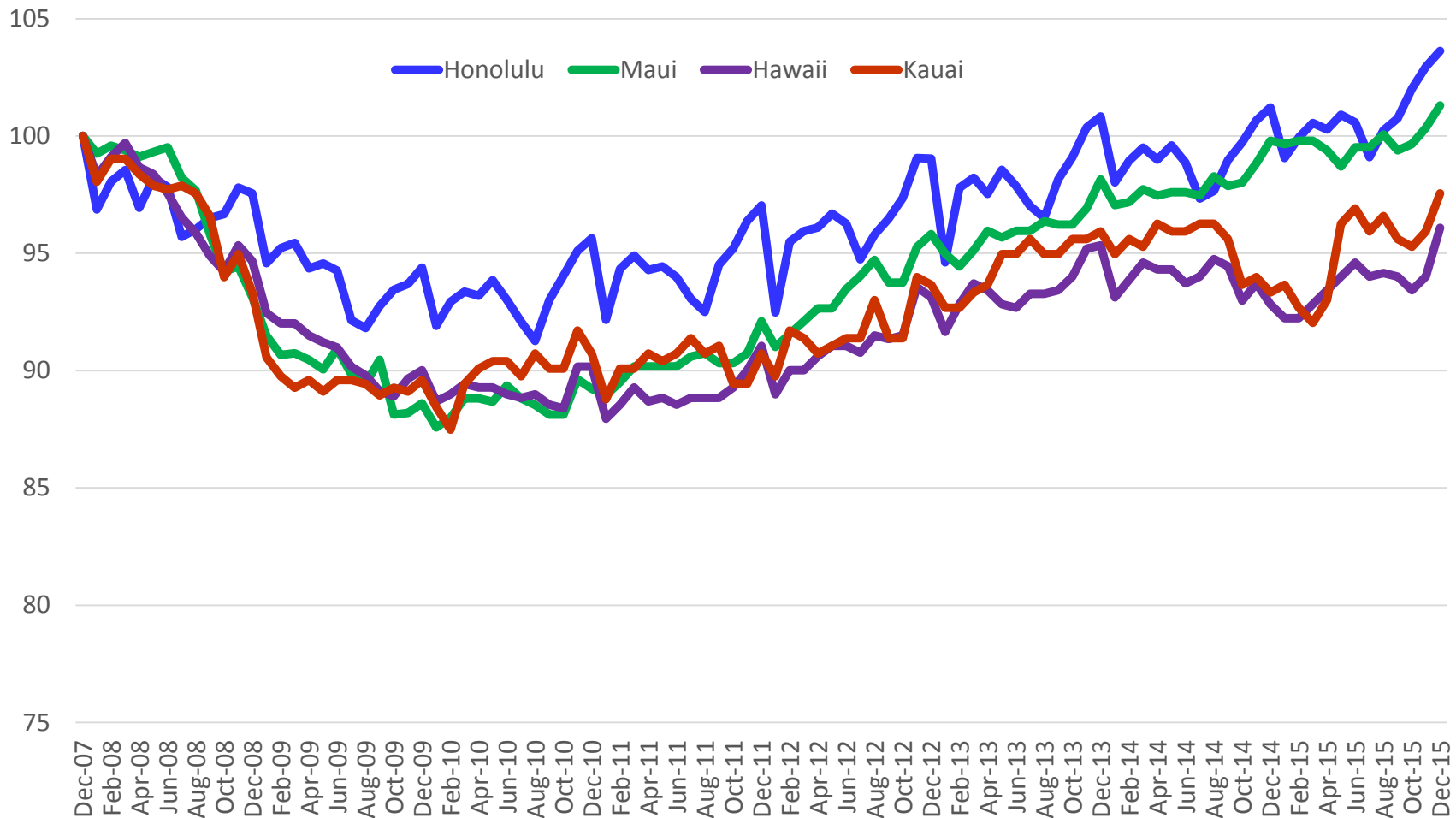


Statewide Labor Force, Employment, and payroll Job Count Reached Record High Levels in 2015



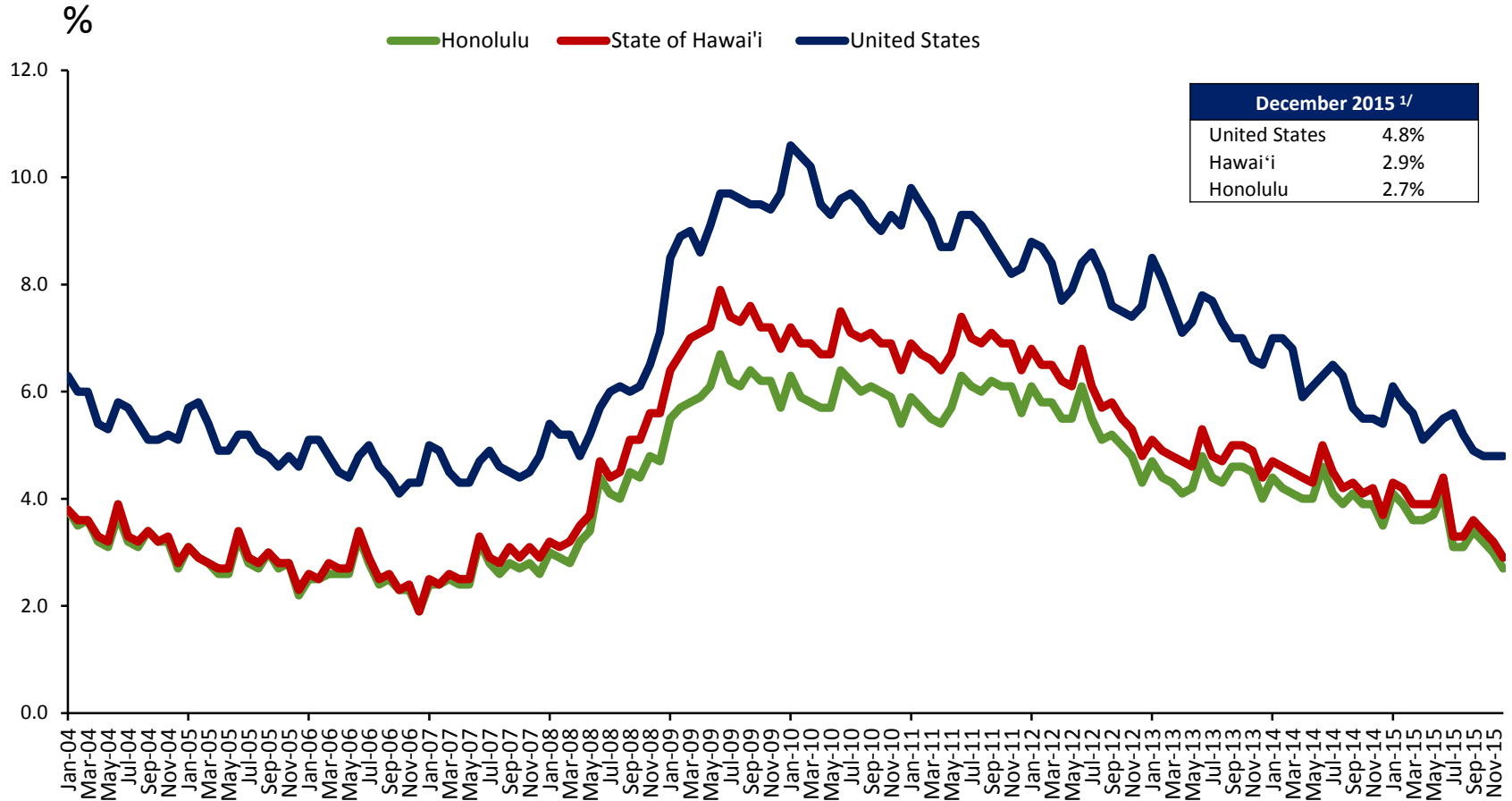
For Job Count, Honolulu and Maui Counties Have Fully Recovered From Great Recession But Hawaii and Kauai Counties Are Still Recovering

(% recovery from December 2007)



Source: DILR and calculations by DBEDT

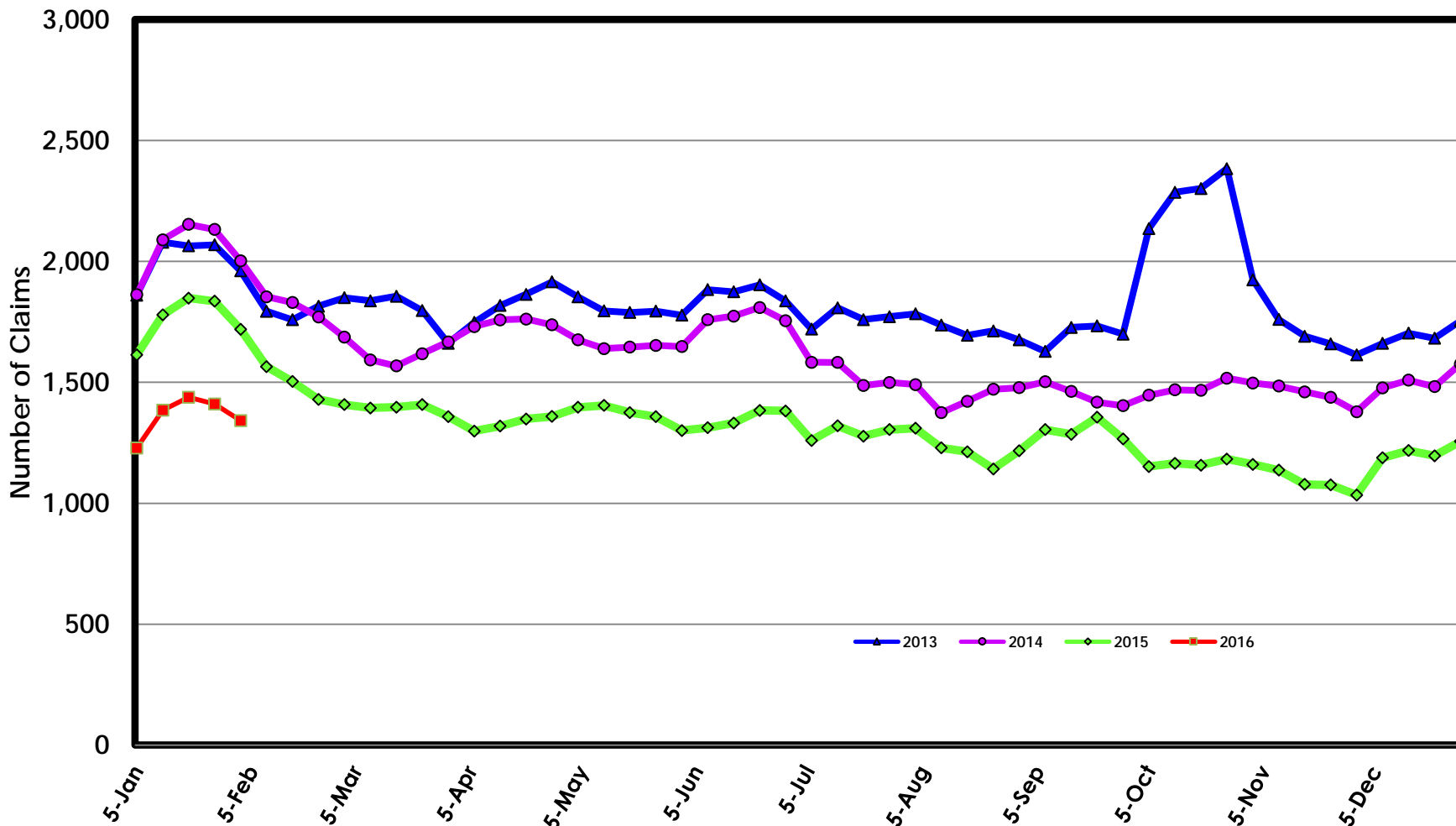
Unemployment Rate



Source: Bureau of Labor Statistics
 * Not seasonally adjusted.

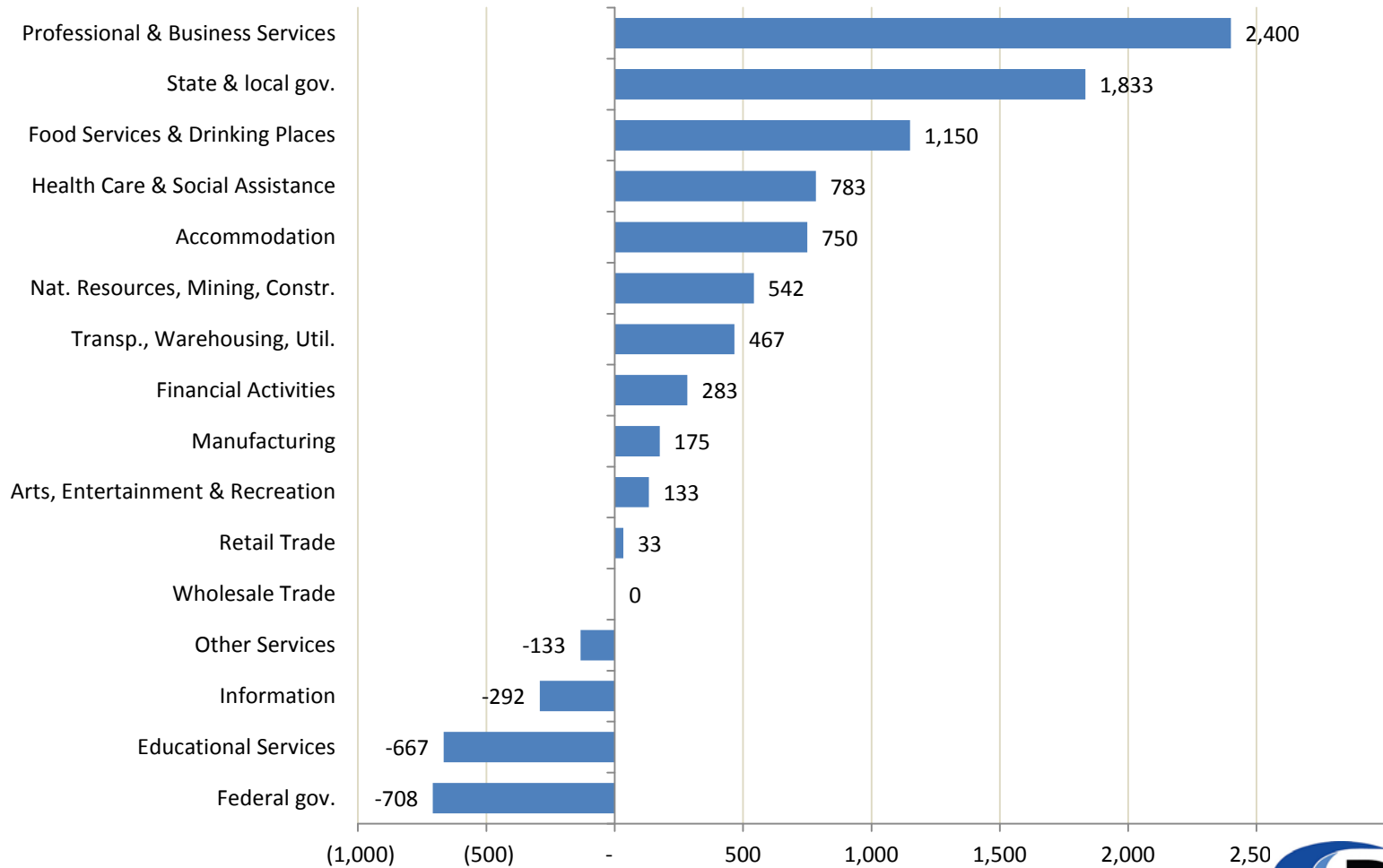
In 2015, unemployment claims dropped 18.4%

Comparison of Initial Unemployment Claims

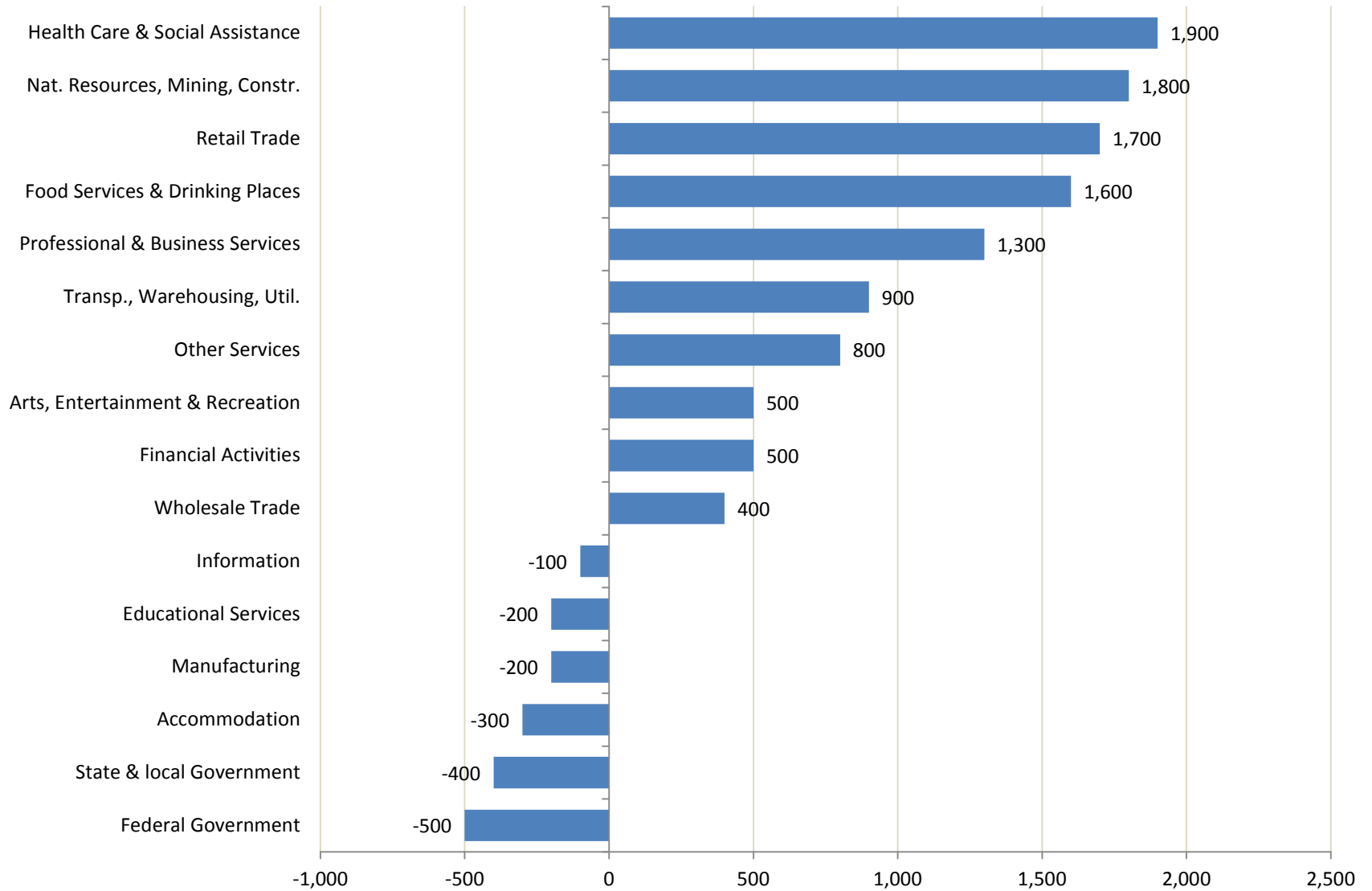


Statewide Job Count Changes: 2014

Hawaii Gained 6,750 Payroll Jobs in 2014



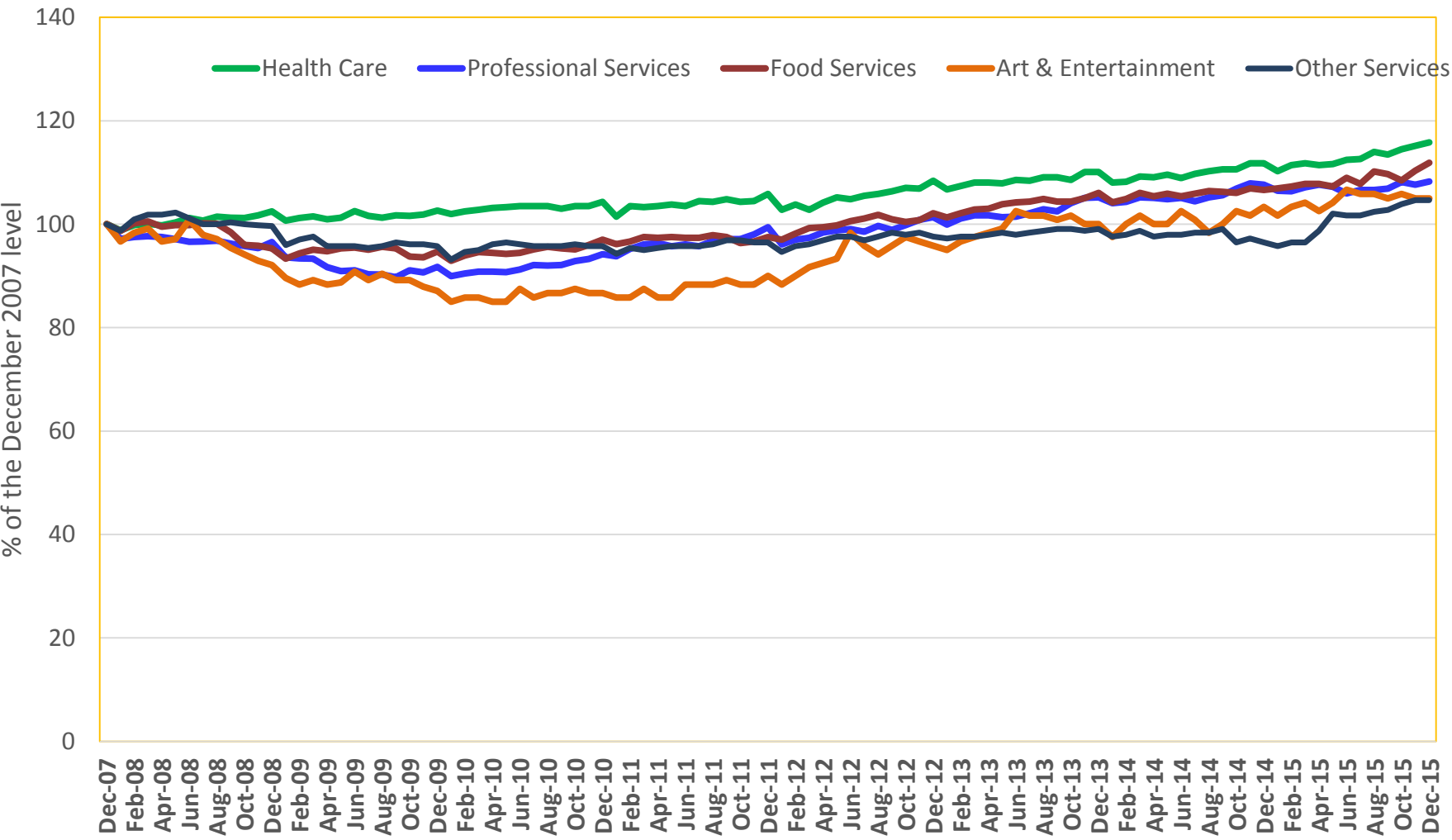
Hawaii Gained 9,500 Payroll Jobs in 2015



Source: Hawaii State Department of Labor and Industrial Relations

Hawaii Industrial Winners

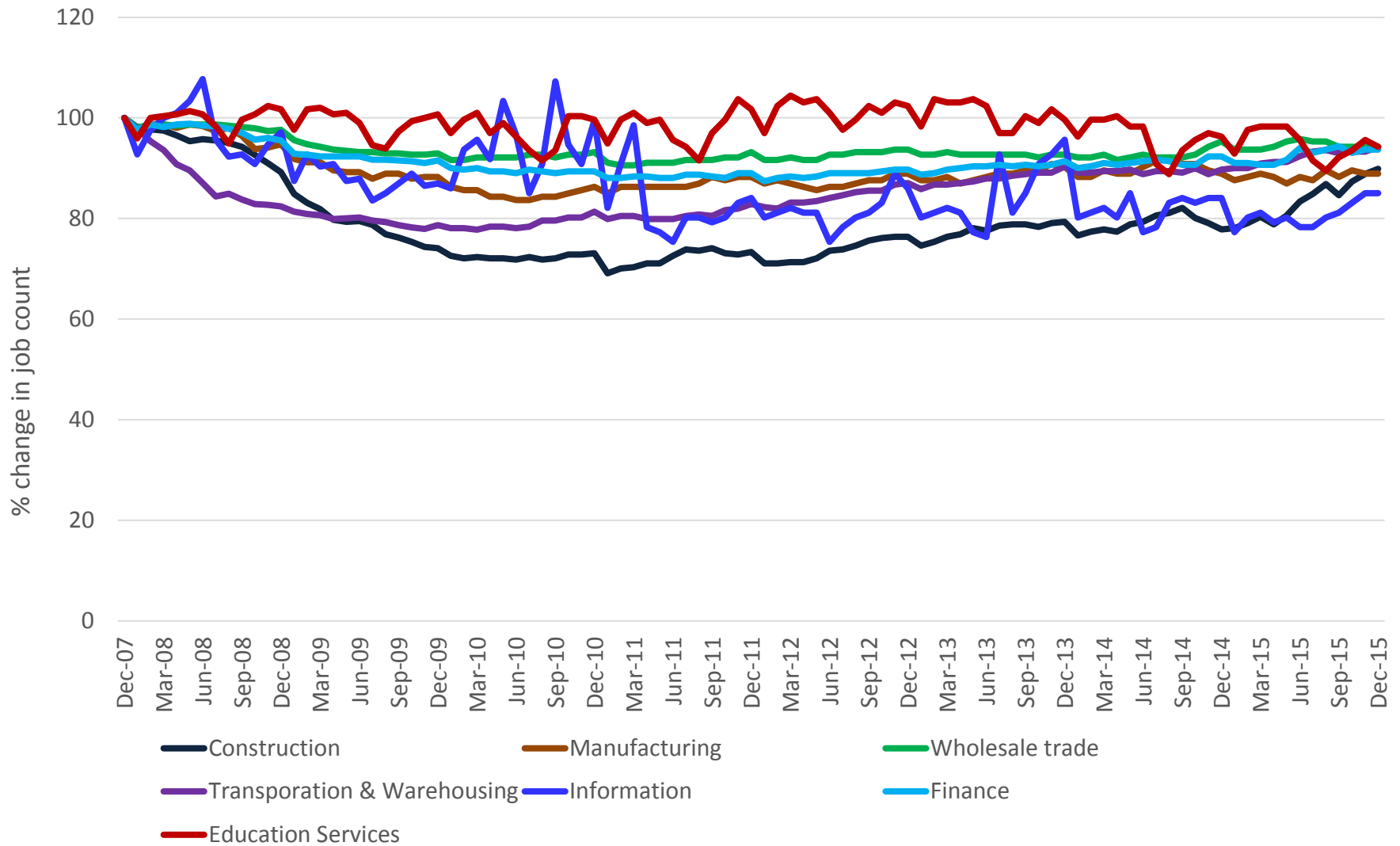
Percent of Jobs Compared with December 2007



Source: DLIR

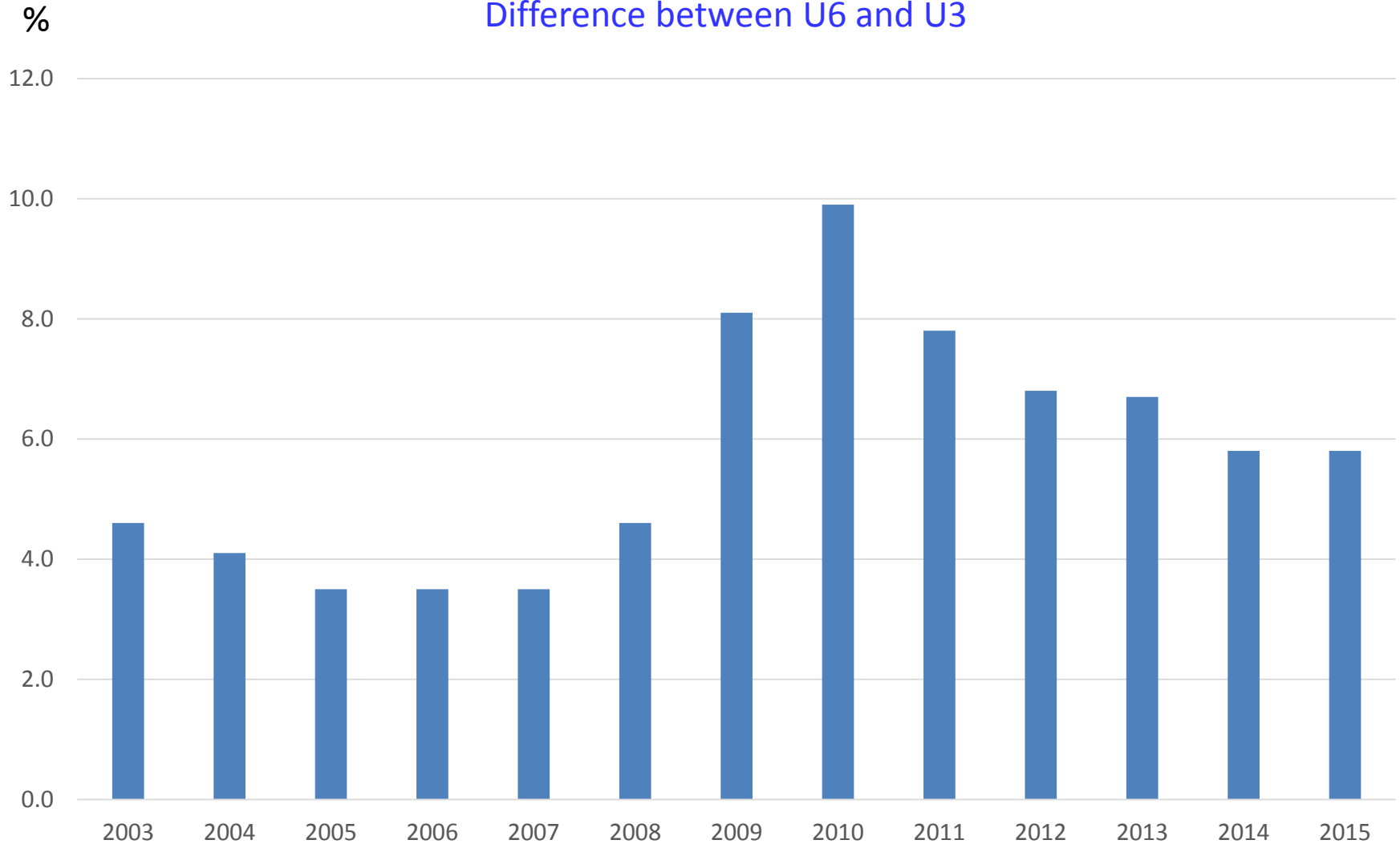
Hawaii Industrial Losers

Percent of Jobs Compared with December 2007



Unemployment Rate Due to Economic Reasons

Difference between U6 and U3



Source: U.S. Bureau of Labor Statistics

Construction and Real Estate



CURRENT DEVELOPMENTS

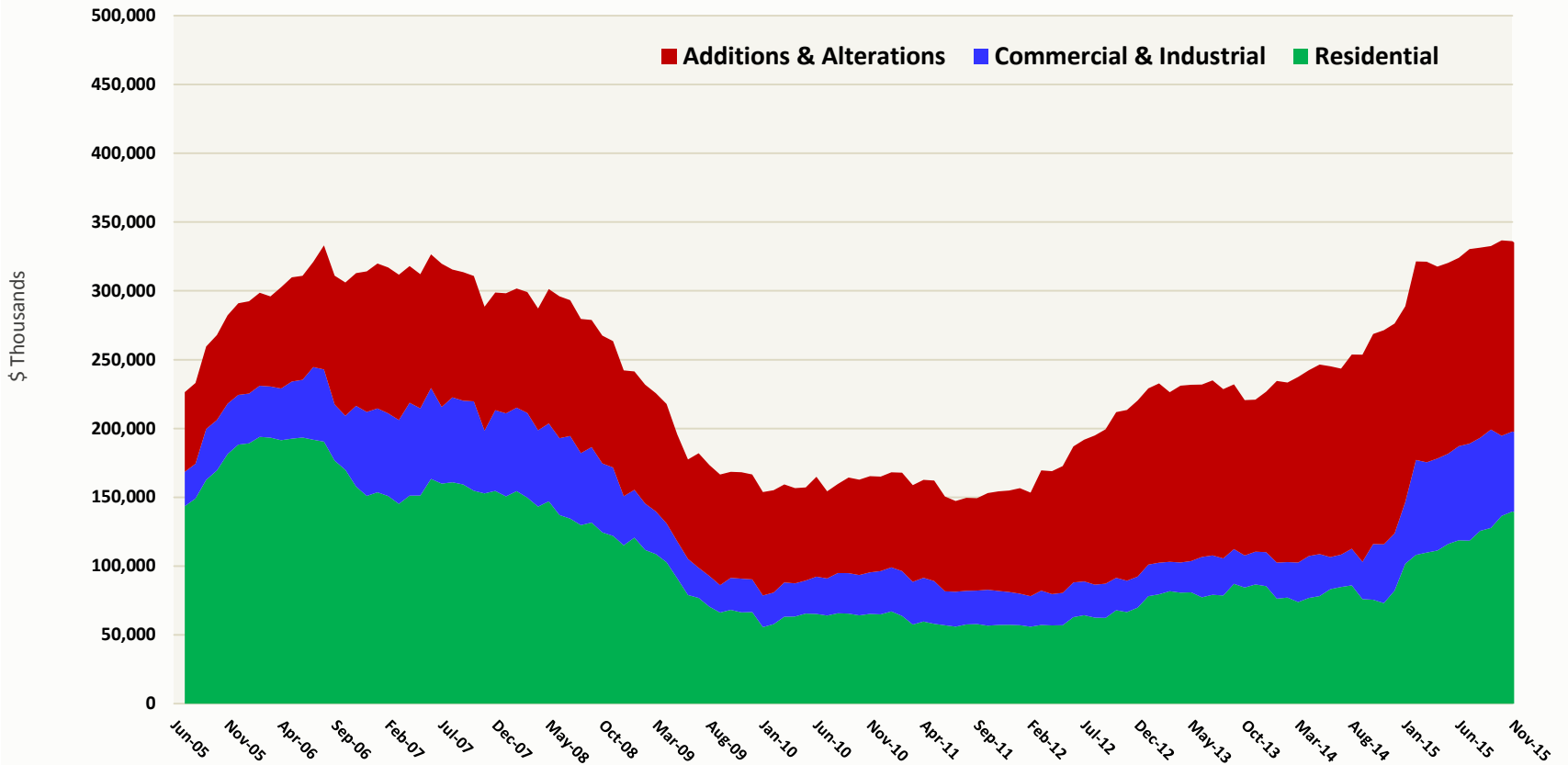
- A. The Collection
- B. Halekauwila Place
- C. 801 South Street - Building 'A'
- D. Ward Village, Land Block 5 - Project 1
- E. Symphony Honolulu
- F. Ward Village, Land Block 2 - Project 1
- G. Ward Village, Land Block 3 - Project 1
- H. Waihonua

ANTICIPATED DEVELOPMENTS

- 1. Keauhou Lane
- 2. 801 South Street - Building 'B'
- 3. Art Space

Private Construction Continues Recovering

12-Month Moving Average of Building Authorization Components*



*Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through December 2015

Source: County building departments and U.S. Census Bureau

Real Estate Sales

(% change 2014 to 2015)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Honolulu	5.2%	3.7%	4.5%	2.9%
Maui	15.0%	2.0%	0.0%	-1.0%
Hawaii	6.5%	4.3%	0.8%	-1.8%
Kauai	4.5%	15.1%	10.1%	7.1%

Source: Hawaii Information Service, the Honolulu Board of Realtors, and Realtors Association of Maui.

2015 Home Median Prices

Island	Single Family Homes	Condo Homes
Honolulu	\$700,000	\$360,000
Maui	\$580,000	\$410,000
Hawaii	\$328,500	\$275,000
Kauai	\$613,500	\$370,000

Source: Hawaii Information Service, the Honolulu Board of Realtors, and Realtors Association of Maui.



Tourism Industry



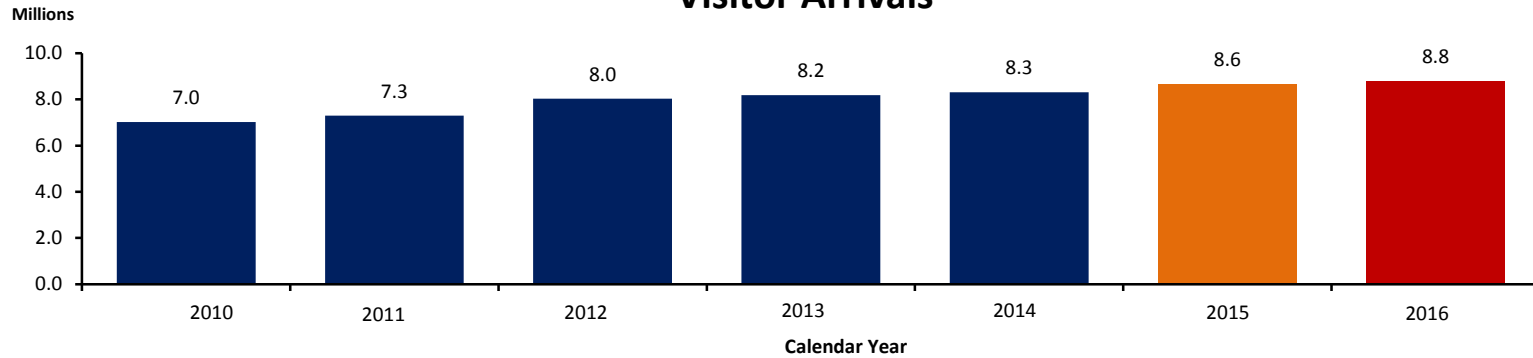
Diversification of Visitor Market

Region	2006 Arrivals	% of Total	2015 Arrivals	% of Total
US Mainland	5,173,624	68.7	5,307,045	62.2
Japan	1,362,878	18.1	1,499,167	17.6
Canada	280,920	3.7	517,238	6.1
Australia	117,043	1.6	353,897	4.1
China	54,924	0.7	333,998	3.9
Korea	37,912	0.5	179,868	2.1
Europe	106,032	1.4	171,524	2.0
Latin America	19,020	0.3	143,435	1.7
Others	375,753	5.0	27,806	0.3
Total	7,528,106	100.0	8,533,978	100.0

Source: DBEDT and HTA

Visitor Arrivals and Expenditures

Visitor Arrivals (1)



Visitor Expenditures (1)



Source: HTA and DBEDT

(1) 2015 and 2016 figures are projections

Given the outlook of air seats at the beginning of 2016, visitor arrivals by air might be a 0.3% increase in 2016

	2010	2011	2012	2013	2014	2015	2016
Total air seats	9,299,913	9,392,291	10,328,316	10,896,815	11,264,105	11,912,851	11,956,990
Total passengers	8,333,417	8,504,757	9,198,738	9,332,485	9,693,318	10,076,950	10,115,614
Load factor	89.6%	90.6%	89.1%	85.6%	86.1%	84.6%	84.6%
Visitors by air	6,916,894	7,174,397	7,867,143	8,003,474	8,183,671	8,533,978	8,557,809
Returning residents	1,416,523	1,330,360	1,331,595	1,329,011	1,233,208	1,542,972	1,557,804
% of visitors	83.0%	84.4%	85.5%	85.8%	84.4%	84.7%	84.7

Source: HTA

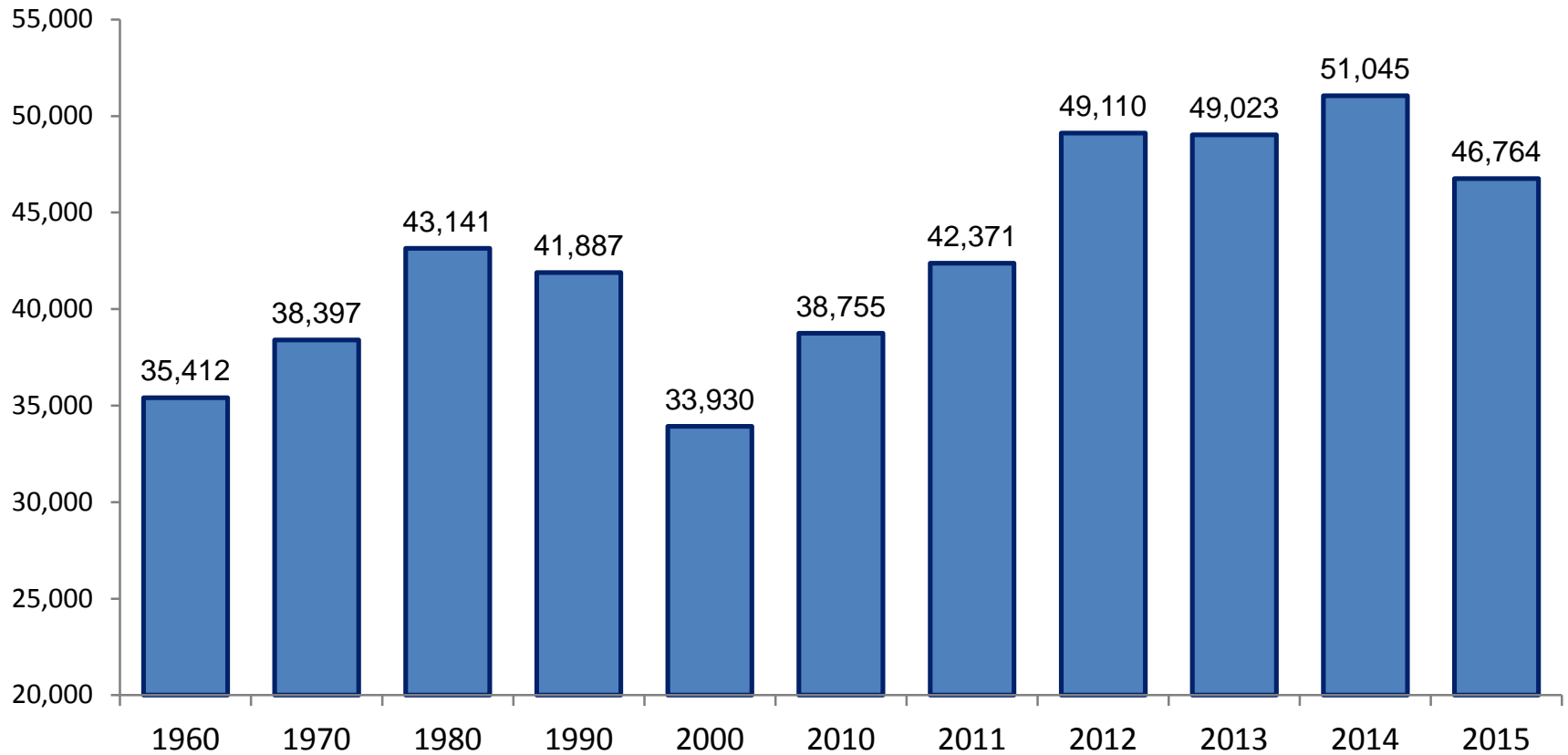
Military in Hawaii



Military Presence in Hawaii is the Highest Since WWII



Active Duty Personnel in Hawai'i



Source: U.S. Department of Defense.