



UHERO FORECAST PROJECT

HAWAII CONSTRUCTION FORECAST:  
PUBLIC EDITION

# AFTER PULLBACK, CONSTRUCTION PROSPECTS FIRM

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# UHERO

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

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## UHERO HAWAII CONSTRUCTION FORECAST

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**Carl S. Bonham, Ph.D.**

Executive Director

**Byron Gangnes, Ph.D.**

Senior Research Fellow

**Peter Fuleky, Ph.D.**

Economist

**Ashley Hirashima**

Graduate Research Assistant

**Hazel Hotchandani**

Graduate Research Assistant

**Rachel Inafuku**

Graduate Research Assistant

**James Jones**

Graduate Research Assistant

**Anton Nikolaev**

Graduate Research Assistant

**Research assistance by:**

Victoria Ward

# Executive Summary

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Following two years of decline, the pace of building in Hawaii has stabilized. The value of construction permits is posting healthy gains across all sub-sectors this year, and projects either planned or in the pipeline will maintain construction activity near its current level through the end of the decade.

- The industry continues to produce both low and high rise residential structures at a steady pace. On Oahu, condo building has spread from Kakaako to Ala Moana, and next year Koa Ridge will join Hoopili in single-family home construction. Residential building on the Neighbor Islands is proceeding at a more restrained pace.
- Sales of existing homes have slowed a bit on Oahu and the Big Island, consistent with early signs of national real estate cooling. However, sales gains are being recorded on Maui and Kauai. Prices are advancing but remain below 2007 levels when adjusted for inflation. Rising mortgage rates and decelerating income growth will weigh on further home price appreciation.
- Continuing strong performance of the tourism industry will sustain relatively high levels of resort renovation and new development. In the face of a competitive retail landscape, commercial construction will remain subdued.
- The public sector will continue to provide important support for the construction industry. Large scale projects include renovations and expansions of airports, roads, and public utilities. Construction of the Honolulu rail transit system proceeds, but the estimated completion date has slipped to 2026.
- As activity in the industry has retreated from its peak, price pressures have eased, and construction costs posted an outright decline in the first half of this year. But solid national demand for building materials, import tariffs, and rising energy prices will push construction costs higher in coming years.
- Following two years of decline, real income and employment in the industry will begin to edge higher next year. But with the rapid expansion behind us, the construction industry will not be a major contributor to aggregate job and income growth.
- With the economic upswing in its eighth year, the downside risks are material, even if a recession is not yet in sight. Uncertainty about government policy and the business environment may weigh on investment plans. At the same time, persistently buoyant US economic conditions could support stronger than anticipated construction growth.

# Forecast Summary

## HAWAII CONSTRUCTION FORECAST (SUMMARY)

	2016	2017	2018	2019	2020	2021
Total Commitments to Build (Mil 2017\$)	4,955	4,320	5,306	5,071	5,391	5,045
% Change	-12.6	-12.8	22.8	-4.4	6.3	-6.4
Real GE Contracting Tax Base (Mil 2017\$)	8,146	8,427	9,022	9,035	9,077	8,956
% Change	-2.2	3.5	7.1	0.1	0.5	-1.3
Construction Job Count (Thou)	38.0	36.3	35.1	35.5	35.8	35.6
% Change	8.6	-4.5	-3.1	1.2	0.7	-0.6
Honolulu Median Home Price (Thou \$)	735.3	755.1	784.4	802.7	809.9	808.6
% Change	5.4	2.7	3.9	2.3	0.9	-0.2
Honolulu Median Condominium Price (Thou \$)	389.0	405.3	426.3	443.1	456.5	462.0
% Change	7.4	4.2	5.2	3.9	3.0	1.2

Note: Source is UHERO. Construction job counts for 2017 are UHERO estimates of the benchmark revision. Figures for 2018-2021 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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