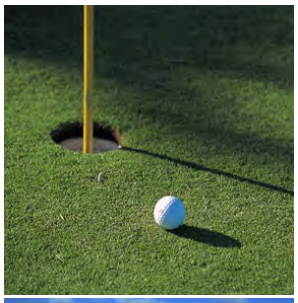
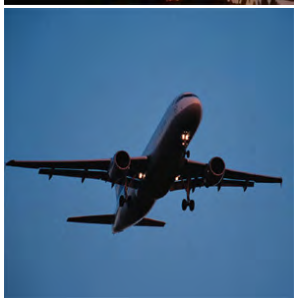


Visitor Industry Analysis
City & County of Honolulu
General Plan Update

Helber Hastert & Fee Planners, Inc



September 7, 2010

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Introduction

Background and Objectives

This visitor industry white paper is being prepared in connection with a review by the City and County of Honolulu's Department of Planning and Permitting of visitor industry related policies in the General Plan of the City and County of Honolulu, which was last updated in 1992.

The General Plan states long-term objectives and policies for the Island of Oʻahu, including strategies for achieving the objectives. It is considered a dynamic document, reflecting the changing world and evolving community attitudes. As the central component of a planning process that addresses physical, social, economic and environmental concerns, the General Plan serves to guide the future growth of the Island of Oʻahu.

As tourism continues to be the largest industry on the Island of Oʻahu, the updated General Plan should take into consideration current and emerging trends in tourism. This visitor industry white paper is intended to provide "big picture" insights on certain tourism-related topics. The report will provide a brief narrative overview of Hawaiʻi State and Oʻahu as visitor destinations. The overview will include a limited presentation of historical visitor statistics. It also provides an overview of the Waikīkī and Island of Oʻahu lodging markets. This section will provide historical context and current perspective on Oʻahu as a visitor destination, using quantitative analysis.

This white paper also provides commentary on certain critical long-term issues, such as lifecycle of Waikīkī as a destination, recent trends in investment in Waikīkī, Oʻahu's lodging sub-markets outside of Waikīkī, and an overview of the potential impact on tourism caused by the proposed rail transit system.

Executive Summary

Tourism on the Island of O‘ahu has experienced major shifts in the market since the previous update to the General Plan. In particular, Waikīkī is currently undergoing a major period of renewal and repositioning that began in 2000 and has since accelerated. These efforts have helped to better achieve the high expectations of a more sophisticated and demanding visitor market, and extend the destination life cycle of Waikīkī.

Other highlights of this white paper include the following:

- Completed and planned investment into Waikīkī between 2000 and 2015 total over $3.6 billion. The transformation and destination market repositioning of Waikīkī has been dramatic and crucial in maintaining its position as a world-class tourism destination. The rejuvenation of Waikīkī has helped create a more diverse and upscale product mix that has enabled Waikīkī to attract higher spending visitors.

- While traditional hotel units continue to represent the majority of Waikīkī’s visitor units, there has been a shift in the mix and number of accommodation units away from traditional hotel inventory towards timeshare and resort condominium inventory. This is reflective of the shift in visitor preference to larger accommodation units driven in part by an expanding family travel segment.

- The high percentage of repeat visitors, as well as those visitors seeking adventure and “experiential lifestyle” travel, has led to stronger demand for individual vacation units (“IVU”) and bed and breakfast (“B&B”) rentals. IVUs and B&Bs are defined by the Hawai‘i Tourism Authority as follows:

    - Individual Vacation Unit (IVU): An individual condominium unit (not in a hotel rental operation), house, cabin, villa or cottage with very limited service, often with only basic cleaning supplies provided.
    - Bed & Breakfast (B&B): A lodging facility with a limited number of guest units, which include breakfast in the daily rental rate. Typical bed and breakfast facilities are either small, quaint inns or family homes.

- There appears to be an evolving trend toward development of more “community based” hotels that serve community needs rather than the tourism industry. Such hotels include the Lā‘ie Inn currently being redeveloped into a 220-room hotel to better serve the Brigham Young University-Hawai‘i (“BYUH”) and the North Shore community, as well as the proposed 150-room Koa Ridge hotel to serve central O‘ahu demand, including military, sports and health and wellness travel, and two proposed hotels in Kapolei to serve military, government, and business demand.

- Given the constraints on new development opportunities in Waikīkī, hotel capacity is a longer term concern. Capacity to some extent can be managed through room rate yield management, but once Waikīkī occupancy begins to exceed 85 percent on a continual

basis, pressure will increase for new development, repurposing, or conversion of properties for visitor accommodation use. This will likely add more incentive to expand visitor product outside of Waikīkī.

- Our analysis indicates that O‘ahu’s proposed rail transit system will likely benefit visitors as a new transportation option to popular tourism attractions, but will not likely have a significant impact on O‘ahu’s overall appeal as a visitor destination.

Section I: State of Hawai‘i Visitor Market Overview

Introduction

This section presents an overview of the tourism industry for the state of Hawai‘i, including historical visitor arrivals, characteristics, visitor expenditures and current trends.

Summary of Highlights

The State of Hawai‘i is currently experiencing an unprecedented downturn in its tourism industry. This downturn is largely attributable to the global recession that started in late 2007 and accelerated in 2009. The continuing decline in the Japanese market, which started in the late 1990s, has also contributed to the downturn. Air service to Hawai‘i has declined due to falling demand and high operating costs in the airline industry, which has led to strategies to increase passenger load factors and consolidation of routes. Nonetheless, the long-term prospects for the industry remain positive with continued public and private investment into Hawai‘i’s tourism product. Such investment includes renovation and/or new development of hotels, resort condominiums, timeshare and retail projects.

Overview of the Hawai‘i Visitor Industry

- Admitted into Statehood in 1959, Hawai‘i is comprised of eight major islands divided into five counties: the City & County of Honolulu (representing the Island of O‘ahu), the County of Maui (consisting of the Islands of Maui, Lāna‘i, and Moloka‘i), the County of Hawai‘i (representing the Island of Hawai‘i, also referred to as the “Big Island”), the County of Kaua‘i (consisting of the Islands of Kaua‘i and Ni‘ihau, a privately owned island inaccessible to the public), and Kalawao County (consisting of only the Kalaupapa Peninsula on the Island of Moloka‘i).

- Hawai‘i is approximately 2,300 miles to the east of the West Coast of the continental U.S. and approximately 3,700 miles to the west of Japan. To the south are the South Pacific island chains including the Kiribati Islands, French Polynesia, Samoa, the Marshall Islands, and Micronesia (ranging between 1,000 and 2,500 miles from Hawai‘i).

- Tourism is an approximately $11 billion industry, representing about one-third of Hawai‘i’s total Gross State Product. The State’s lodging supply consists of 75,188 visitor accommodation units, including full and limited service hotel rooms, condominium hotels, vacation rentals, and timeshare. Approximately half of these units are located on O‘ahu. Total statewide room revenues in 2007 set a record at $3.1 billion, driven by an increase in visitors and growing average daily rates. By 2009, room revenues had fallen to $2.4 billion due to the global economic downturn.

- The State consists of four primary islands as follows:

    - Island of Oʻahu: Oʻahu is the third largest island in the Hawaiian chain, but is the State's primary economic and tourism center with Honolulu serving as the State's capital. Waikīkī is located within the City and County of Honolulu and supports approximately half of the State's 75,188 hotel rooms.
    - Island of Maui: Maui is the State's second largest island and is the primary destination for Neighbor Island travel.
    - Island of Hawaiʻi: The Island of Hawaiʻi is commonly referred to as the "Big Island," as its total land area is larger than all of the other major Hawaiian islands combined. The Island of Hawaiʻi is noted for its active volcanoes, deep-sea fishing, and scuba diving.
    - Island of Kauaʻi: The Island of Kauaʻi lies to the northwest of Oʻahu and is noted for its spectacular Nā Pali coastal mountain range.

- There is direct U.S. mainland and Canadian air service to each of the major islands. Honolulu serves as the primary international gateway for the State of Hawaiʻi, however the Big Island has been granted limited authority to permit non-stop flights from Japan and Korea.

- One of the more hopeful signs of future expansion of air capacity is the acquisition of 27 new Airbus wide-bodied aircraft by Hawaiian Airlines, which is envisioned to help Hawaiian Airlines establish non-stop air service between Hawaiʻi and major destinations in Asia.

- Visitor arrivals to the State peaked at 7.5 million in 2006. High season for the visitor industry generally spans between mid-December through mid-March and secondarily between mid-June through mid-August. U.S. mainland visitors comprised approximately 73 percent of total arrivals to Hawaiʻi in 2009 and stayed on average 10 days. Japanese visitors comprised over 17 percent of the market with a length of stay of almost six days per visit.

- The development of Hawaiʻi's tourism industry can be characterized by several milestone periods:

    - 1965 to 1979: Introduction of flights from the U.S. mainland utilizing wide-bodied aircraft during this period helped Hawaiʻi evolve into a mass tourism destination. The market for this time frame can be characterized as primarily wholesale and charter driven leisure travel to Oʻahu and primarily Waikīkī. Much of the Waikīkī hotel inventory was developed during this period.
    - 1980: United Airlines, the largest air carrier to Hawaiʻi, experienced a three month employee strike, which curtailed growth for the year.
    - 1983 to 1990: This period reflected the following:

  - Hawai‘i enjoyed an unprecedented period of tourism growth and development at a time when the U.S. mainland economy was suffering from a deep and prolonged recession combined with substantial hotel over-building.
  - Driven by a strong economy and a 60 percent appreciation of the yen against the dollar, Japanese visitor arrivals to Hawai‘i increased dramatically, from 380,000 Japanese visitors in 1983 to over 1.4 million Japanese visitors in 1990.
  - Japanese investment into Hawai‘i rose sharply, primarily in the acquisition and/or development of luxury hotels and golf courses. Most of the new hotel development occurred on the Neighbor Islands.
  - Westbound arrivals, primarily from the U.S. mainland, began to flatten during the latter half of the 1980s due to a deep recession on the U.S. mainland.

- 1991 to 1993: The Gulf War, the bursting of the Japanese “bubble” economy, and persistent recession in the western region of the U.S. mainland caused visitor arrivals to drop approximately 10 percent during this period.
- 1994 to 1996: This period saw a recovery of the visitor market for Hawai‘i, due in part to a sharp strengthening of the yen to the dollar exchange rate and economic recovery of the west coast U.S. mainland. Japanese divestment started to occur, replaced primarily by U.S. investors.
- 1997 to 2000: Growth in arrivals by U.S. visitors accelerated, driven by strong growth in corporate meetings and FIT markets. Japanese arrivals weakened due to a persistent weak economy and weakening yen to dollar exchange rate. Hotel transactions accelerated as Japanese divestment continued.
- 2001 to 2003: Visitor arrivals weakened due to the September 11, 2001 terrorist attacks, the war in Iraq starting in 2003, and a stagnant U.S. economy. However, reinvestment into Waikīkī’s visitor product began to accelerate, which has led to the current period of repositioning and rejuvenation of Waikīkī’s product base.
- 2004 to 2007: Strong growth in arrivals during this period was driven by a rapidly expanding U.S. economy, although Japanese arrivals continued to decline during the period due to a weak yen and increased competition from other Asia/Pacific destinations.
- Late 2007 to 2009: The global recession led to a steep decline in visitor arrivals and expenditures. This was exacerbated by the bankruptcies of Aloha Airlines and ATA. The corporate meeting and group market dropped sharply due to the economic decline. Many development and renovation projects were cancelled or placed on hold, as the industry entered into a new cycle of distressed hotel loans and foreclosures.
- 2010 January to July: The global recession has started to show signs of a recovery, with Hawai‘i visitor arrivals and hotel occupancies finally showing moderate increases over the prior year. However, hotel property values have

plummeted and numerous hotels continue to move into foreclosure or loan-restructuring. Still, major planning initiatives continue, including major renovation and redevelopment plans for the Princess Ka‘iulani Hotel, the Moana Surfrider Hotel, the International Market Place, the Hilton Hawaiian Village, and the continued development of the Ko ‘Olina Resort.

Historical Visitor Arrivals to the State

- Hawai‘i’s visitor industry has experienced significant growth since the 1960s. In 1966, Hawai‘i received 835,000 visitors by air. By 2006, there were over 7.5 million visitors to Hawai‘i by air. In 2009, the number of visitors fell to 6.4 million due to the recession.

- The visitor mix is comprised of 73 percent domestic arrivals, and 27 percent international visitor. Domestic visitors are comprised of 63.5 percent U.S. West visitors and 36.5 percent U.S East visitors. Japanese make up the majority of international visitors representing 63.9 percent of all international arrivals.

Figure 1 Hawai‘i Statewide Visitors Staying Overnight or Longer: 1966 – 2009 (Arrivals by air)

	BOTH DIRECTIONS		DOMESTIC		INTERNATIONAL	
Year	Visitors	% Change from Previous Year	Visitors	% Change from Previous Year	Visitors	% Change from Previous Year
1966	834,732	21.6%	629,564	16.8%	205,168	39.5%
1967	1,124,012	34.7%	828,849	31.7%	295,163	43.9%
1968	1,313,706	16.9%	952,821	15.0%	360,885	22.3%
1969	1,526,074	16.2%	1,121,714	17.7%	404,360	12.0%
1970	1,745,904	14.4%	1,273,639	13.5%	472,265	16.8%
1971	1,817,941	4.1%	1,363,081	7.0%	454,860	-3.7%
1972	2,233,627	22.9%	1,682,285	23.4%	551,342	21.2%
1973	2,622,376	17.4%	1,942,714	15.5%	679,662	23.3%
1974	2,804,394	6.9%	2,036,203	4.8%	768,191	13.0%
1975	2,818,082	0.5%	2,028,068	-0.4%	790,014	2.8%
1976	3,213,249	14.0%	2,327,399	14.8%	885,850	12.1%
1977	3,413,095	6.2%	2,508,472	7.8%	904,623	2.1%
1978	3,676,967	7.7%	2,766,012	10.3%	910,955	0.7%
1979	3,966,192	7.9%	2,888,521	4.4%	1,077,671	18.3%
1980	3,928,789	-0.9%	2,793,101	-3.3%	1,135,688	5.4%
1981	3,928,906	0.0%	2,778,566	-0.5%	1,150,340	1.3%
1982	4,227,733	7.6%	3,072,543	10.6%	1,155,189	0.4%
1983	4,356,317	3.0%	3,219,219	4.8%	1,137,098	-1.6%
1984	4,827,884	10.8%	3,499,419	8.7%	1,328,466	16.8%
1985	4,843,414	0.3%	3,522,126	0.6%	1,321,288	-0.5%
1986	5,569,067	15.0%	4,063,928	15.4%	1,505,138	13.9%
1987	5,770,585	3.6%	4,040,204	-0.6%	1,730,381	15.0%
1988	6,101,483	5.7%	4,041,878	0.0%	2,059,605	19.0%
1989	6,488,422	6.3%	4,339,507	7.4%	2,148,915	4.3%
1990	6,723,531	3.6%	4,315,161	-0.6%	2,408,370	12.1%
1991	6,518,460	-3.1%	4,068,508	-5.7%	2,449,952	1.7%
1992	6,473,669	-0.7%	3,791,945	-6.8%	2,681,724	9.5%
1993	6,070,995	-6.2%	3,570,059	-5.9%	2,500,936	-6.7%
1994	6,364,674	4.8%	3,813,279	6.8%	2,551,395	2.0%
1995	6,546,759	2.9%	3,743,474	-1.8%	2,803,285	9.9%
1996	6,723,141	2.7%	3,794,113	1.4%	2,929,028	4.5%
1997	6,761,135	0.7%	3,890,798	2.5%	2,870,337	-2.0%
1998	6,595,790	-2.4%	4,014,140	3.2%	2,581,650	-10.1%
1999	6,741,037	2.2%	4,255,621	6.0%	2,485,416	-3.7%
2000	6,948,595	3.1%	4,446,936	4.5%	2,501,659	0.7%
2001	6,303,791	-9.3%	4,224,321	-5.0%	2,079,470	-16.9%
2002	6,389,058	1.4%	4,358,850	3.2%	2,030,208	-2.4%
2003	6,380,439	-0.1%	4,531,289	4.0%	1,849,150	-8.9%
2004	6,912,094	8.3%	4,892,960	8.0%	2,019,134	9.2%
2005	7,416,574	7.3%	5,313,281	8.6%	2,103,293	4.2%
2006	7,528,106	1.5%	5,550,125	4.5%	1,977,981	-6.0%
2007	7,496,820	-0.4%	5,582,530	0.6%	1,914,290	-3.2%
2008	6,713,436	-10.4%	4,901,893	-12.2%	1,811,543	-5.4%
2009	6,419,138	-4.4%	4,671,326	-4.7%	1,747,812	-3.5%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Figure 2 Annual Statewide Visitor Arrivals by Top-Four MMA

Year	US West	% Change from Previous Year	US East	% Change from Previous Year	Japan	% Change from Previous Year	Canada	% Change from Previous Year
1990	2,219,649		1,934,996		1,492,786		229,918	
1991	2,225,838	0%	1,891,128	-2%	1,438,585	-4%	180,784	-21%
1992	2,034,510	-9%	1,613,254	-15%	1,705,860	19%	193,229	7%
1993	1,909,811	-6%	1,419,605	-12%	1,666,275	-2%	214,379	11%
1994	2,049,341	7%	1,461,094	3%	1,819,332	9%	213,091	-1%
1995	2,035,329	-1%	1,457,608	0%	2,048,411	13%	198,213	-7%
1996	2,065,147	1%	1,523,516	5%	2,146,883	5%	210,083	6%
1997	2,071,423	0%	1,444,346	-5%	2,216,890	3%	211,205	1%
1998	2,125,993	3%	1,508,698	4%	2,004,354	-10%	232,592	10%
1999	2,308,836	9%	1,601,238	6%	1,825,588	-9%	252,777	9%
2000	2,432,444	5%	1,712,712	7%	1,817,643	0%	251,843	0%
2001	2,372,070	-2%	1,588,164	-7%	1,528,564	-16%	216,948	-14%
2002	2,486,914	5%	1,582,563	0%	1,483,121	-3%	189,890	-12%
2003	2,609,862	5%	1,653,357	4%	1,340,034	-10%	204,999	8%
2004	2,768,002	6%	1,805,377	9%	1,482,085	11%	217,163	6%
2005	3,032,492	10%	1,929,294	7%	1,517,439	2%	248,617	14%
2006	3,158,526	4%	1,917,919	-1%	1,374,454	-9%	273,167	10%
2007	3,196,233	1%	1,869,770	-3%	1,314,619	-4%	288,150	5%
2008	3,244,707	2%	1,682,673	-10%	1,160,732	-12%	344,457	20%
2009	2,718,404	-16%	1,561,292	-7%	1,117,159	-4%	338,807	-2%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- The table presented above shows annual visitor arrivals from Hawai‘i’s top four major market areas. The U.S. West and Canadian markets have experienced the most growth over the years. The U.S. East market increased during the 2000s due to the introduction of four NCL cruise ships that were marketed primarily to East Coast visitors. All markets declined in 2009 due to the global recession, with the U.S. West market experiencing the steepest declines.

- Arrivals from Japan have been in decline since 1997 due to increased Asia competition and expansion of Japanese travel to Europe. The state received about 1.1 million Japanese visitors in 2009, or approximately half of its peak that was reached in 1997.

- The table below presents visitor arrivals to each island. O‘ahu remains Hawai‘i’s top destination, followed by Maui, the Big Island and Kaua‘i.

Figure 3 Visitor Arrivals by County

Year	Statewide	O'ahu	% Change from Previous Year	Maui	% Change from Previous Year	Kaua'i	% Change from Previous Year	Big Island	% Change from Previous Year
1990	6,723,531	5,139,558		2,284,862		1,228,850		1,127,373	
1991	6,518,460	4,831,027	-6%	2,175,606	-5%	1,182,326	-4%	1,111,035	-1%
1992	6,473,669	4,864,160	1%	2,323,612	7%	881,730	-25%	1,139,978	3%
1993	6,070,995	4,472,235	-8%	2,263,114	-3%	576,366	-35%	1,117,656	-2%
1994	6,364,674	4,629,736	4%	2,340,516	3%	860,719	49%	1,079,535	-3%
1995	6,546,759	4,817,552	4%	2,326,797	-1%	929,150	8%	1,081,047	0%
1996	6,723,141	4,903,884	2%	2,318,610	0%	975,436	5%	1,163,700	8%
1997	6,761,135	4,875,612	-1%	2,330,384	1%	997,087	2%	1,205,081	4%
1998	6,595,790	4,601,834	-6%	2,304,115	-1%	1,078,400	8%	1,340,767	11%
1999	6,741,037	4,560,142	-1%	2,347,002	2%	1,089,289	1%	1,307,720	-2%
2000	6,948,594	4,719,244	3%	2,304,665	-2%	1,074,821	-1%	1,267,965	-3%
2001	6,303,790	4,257,536	-10%	2,104,478	-9%	1,008,698	-6%	1,181,551	-7%
2002	6,389,058	4,276,077	0%	2,139,427	2%	1,005,897	0%	1,243,313	5%
2003	6,380,439	4,090,483	-4%	2,196,447	3%	975,867	-3%	1,207,164	-3%
2004	6,912,094	4,464,551	9%	2,207,826	1%	1,020,922	5%	1,281,156	6%
2005	7,416,574	4,731,843	6%	2,346,480	6%	1,090,147	7%	1,521,537	19%
2006	7,414,613	4,627,484	-2%	2,455,300	5%	1,181,230	8%	1,590,495	5%
2007	7,368,048	4,596,330	-1%	2,522,043	3%	1,271,399	8%	1,598,831	1%
2008	6,699,424	4,176,820	-9%	2,142,225	-15%	1,033,449	-19%	1,324,302	-17%
2009	6,419,138	4,032,198	-3%	2,003,841	-6%	931,425	-10%	1,223,019	-8%

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

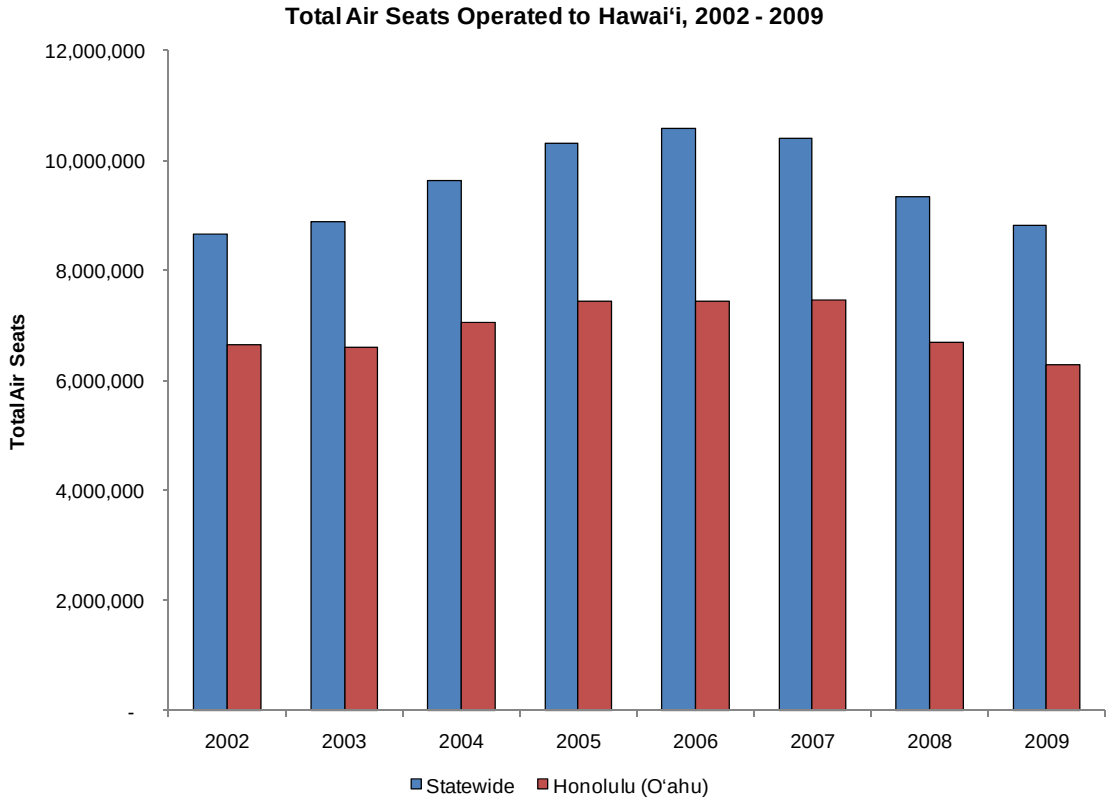
Air Seat Capacity

- Seat capacity has been declining since the mid-2000s, with airlines trying to maximize passenger loads with smaller, more fuel efficient aircraft and route consolidation. Passenger load factors have also risen sharply and are now running in the high 80 percent range compared to the mid 70 percent range during the 1990s. While the cut-back in capacity was substantial during the past several years due to the economic downturn, more lift has been added during the summer of 2010 to accommodate the modest tourism recovery that is currently underway.

- For discussion purposes, air capacity data is compared between the years 2002 and 2009. Domestic seats increased 9.7 percent over this period, while international seats decreased 14.0 percent. Domestic growth was due in large part to a 15.2 percent increase in U.S. West and 8.9 percent increase in lift from the U.S. East market. The decline in international seats was primarily the result of an 18.6 percent decrease in seats from Japan, although Canada and Oceania also experienced double-digit decreases.

  As noted earlier, most of the growth in the State's air seat capacity occurred on the Neighbor Islands, while O'ahu experienced a 5.4 percent decline.

Figure 4



Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

Figure 5 2002 vs. 2009 Total Air Seats Operated To Hawai‘i

	STATEWIDE			HONOLULU			KAHULUI		
	2002	2009	%Chg.	2002	2009	%Chg.	2002	2009	%Chg.
TOTAL SEATS	8,654	8,816	1.9%	6,637	6,278	-5.4%	1,326	1,478	11.4%
Scheduled Seats	8,252	8,677	5.1%	6,321	6,213	-1.7%	1,283	1,442	12.3%
Charter seats	401	139	-65.4%	316	64	-79.7%	43	36	-16.8%
DOMESTIC SEATS	5,795	6,355	9.7%	3,944	3,999	1.4%	1,275	1,386	8.7%
Scheduled Seats	5,462	6,241	14.3%	3,696	3,960	7.1%	1,232	1,350	9.6%
Charter seats	333	114	-65.8%	248	40	-84.1%	43	36	-16.8%
US West	4,640	5,347	15.2%	3,017	3,199	6.0%	1,089	1,216	11.6%
US East	821	895	8.9%	679	761	12.1%	143	134	-6.2%
INTERNATIONAL SEATS	2,859	2,460	-14.0%	2,693	2,278	-15.4%	51	92	78.8%
Scheduled Seats	2,791	2,435	-12.7%	2,625	2,254	-14.2%	51	92	78.8%
Charter seats	68	25	-63.7%	68	25	-63.7%	0	0	
Japan	1,962	1,597	-18.6%	1,847	1,518	-17.8%	0	0	
Canada	314	229	-27.1%	262	126	-51.8%	51	92	78.8%
Other Asia	78	165	111.0%	78	165	111.0%	0	0	
Oceania	211	169	-20.2%	211	169	-20.2%	0	0	
Other	226	276	22.0%	226	276	22.0%	0	0	

	KONA			LĪHU'E		
	2002	2009	%Chg.	2002	2009	%Chg.
TOTAL SEATS	478	613	28.2%	212	447	110.9%
Scheduled Seats	460	594	29.2%	188	428	127.0%
Charter seats	19	19	4.0%	24	19	-17.7%
DOMESTIC SEATS	364	524	44.0%	212	446	110.5%
Scheduled Seats	345	505	46.2%	188	427	126.6%
Charter seats	19	19	4.0%	24	19	-17.7%
US West	345	505	46.2%	188	427	126.6%
US East	0	0		0	0	
INTERNATIONAL SEATS	114	89	-22.0%	0	1	
Scheduled Seats	114	89	-22.0%	0	1	
Charter seats	0	0		0	0	
Japan	114	79	-30.6%	0	0	
Canada	0	10		0	1	
Other Asia	0	0		0	0	
Oceania	0	0		0	0	
Other	0	0		0	0	

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority (Scheduled seats from OAG schedules, charter seats estimated based on reports from State of Hawai'i DOT Airports Division)
Note: Data for Hilo not available

Visitor Expenditures

The following table presents visitor personal daily spending mix by category and major market area:

Figure 6 Visitor Personal Daily Spending by Category and MMA: 2008 (in dollars) (Arrivals by air)

Expenditure Type	Total	U.S. West	U.S. East	Japan	Canada
Average Daily Spending	**$ 178.50**	**$ 146.20**	**$ 183.40**	**$ 288.30**	**$ 153.40**
Total Food and beverage	**19.9%**	**22.2%**	**20.6%**	**15.7%**	**21.3%**
Restaurant food	13.4%	14.5%	14.3%	11.0%	13.1%
Dinner shows and cruises	2.1%	2.0%	2.4%	1.8%	2.0%
Groceries and snacks	4.4%	5.7%	3.8%	2.9%	6.1%
Entertainment & Recreation	**9.3%**	**9.4%**	**10.8%**	**7.6%**	**8.2%**
Total Transportation	**9.1%**	**10.4%**	**10.3%**	**3.9%**	**9.5%**
Interisland airfare	1.7%	1.1%	2.1%	1.0%	1.3%
Ground transportation	0.8%	0.5%	0.6%	1.7%	0.7%
Rental vehicles	5.7%	7.7%	6.5%	1.1%	6.5%
Gasoline, parking, etc.	0.9%	1.1%	1.1%	0.2%	1.0%
Total Shopping	**17.2%**	**13.0%**	**11.6%**	**34.9%**	**12.0%**
Fashion and clothing	6.2%	4.9%	4.0%	9.4%	6.0%
Jewelry and watches	3.1%	3.0%	2.8%	4.5%	2.0%
Cosmetics, perfume	0.6%	0.2%	0.2%	2.0%	0.2%
Leather goods	2.4%	0.4%	0.3%	11.8%	0.3%
Hawai'i food products	1.7%	1.5%	1.1%	4.1%	1.0%
Souvenirs	3.1%	3.0%	3.3%	3.2%	2.5%
Lodging	**37.6%**	**41.3%**	**39.5%**	**31.1%**	**43.7%**
All other expenses [1]	**5.4%**	**3.7%**	**7.2%**	**6.7%**	**5.4%**
Supplemental business	**1.6%**				

Source: State of Hawai‘i DBEDT, Year 2009 data not available

[1] *Includes cruise package and on-ship spending on U.S. Flagged Hawai‘i home-ported ships.*

- Visitor spending in the State of Hawai‘i decreased 11.0 percent in 2008 to $11.4 billion. U.S. West and U.S. East visitors accounted for 63.9 percent of all expenditures, while Japanese contributed 17.1 percent. Visitors from Japan significantly outspent all other visitors, with daily average daily expenditures of $288.30 per person, nearly double that of U.S. West visitors. U.S. East visitors and Canadian visitors had the next highest daily spending of $183.40 and $153.40, respectively.

- Lodging remains the largest portion of expenditures for visitors to Hawai‘i. In 2008, lodging represented approximately 38 percent of visitor daily spending. Food and beverage and shopping approximated 20 and 17 percent of daily spending, respectively.

Spending patterns have been fairly consistent among North American visitors, with similar spending behavior among the five major spending categories. However, Japanese visitors spend a lower percentage of their daily spending on lodging at 31 percent, and a much higher percentage on shopping at 35 percent. Japanese also spend much less on transportation, with fewer Japanese renting vehicles.

The following table presents visitor daily spending by category and island:

Figure 7 2008 Visitor Personal Daily Spending by Category by Island (in dollars) (Arrivals by air)

Expenditure Type	O'ahu	Maui	Moloka'i	Lāna'i	Kaua'i	Hawai'i Island
GRAND TOTAL	**198.8**	**190.0**	**128.5**	**324.3**	**169.3**	**164.5**
Total Food and beverage	**22.0%**	**21.3%**	**19.3%**	**20.2%**	**22.6%**	**20.3%**
Restaurant food	15.3%	13.8%	9.2%	18.3%	14.1%	13.6%
Dinner shows and cruises	2.2%	2.5%	0.6%	0.3%	2.3%	1.4%
Groceries and snacks	4.5%	5.1%	9.5%	1.6%	6.1%	5.4%
Entertainment & Recreation	**9.0%**	**9.7%**	**7.5%**	**7.5%**	**12.2%**	**10.7%**
Total Transportation	**9.3%**	**9.6%**	**20.0%**	**3.5%**	**12.4%**	**13.9%**
Interisland airfare	1.0%	1.0%	7.1%	2.0%	1.7%	4.0%
Ground transportation	0.9%	0.3%	0.6%	0.5%	0.2%	0.4%
Rental vehicles	6.2%	7.4%	11.0%	0.8%	9.5%	8.0%
Gasoline, parking, etc.	1.1%	1.0%	1.3%	0.2%	1.1%	1.4%
Total Shopping	**15.4%**	**11.6%**	**7.0%**	**6.4%**	**11.1%**	**11.1%**
Fashion and clothing	5.7%	4.6%	1.8%	2.6%	4.1%	3.7%
Jewelry and watches	3.5%	2.8%	0.8%	1.3%	2.5%	2.0%
Cosmetics, perfume	0.3%	0.2%	0.1%	0.1%	0.1%	0.2%
Leather goods	0.6%	0.4%	0.2%	0.3%	0.1%	0.4%
Hawai'i food products	1.8%	1.0%	1.6%	0.2%	1.1%	1.7%
Souvenirs	3.6%	2.7%	2.6%	1.9%	3.1%	3.2%
Lodging	**39.3%**	**43.4%**	**41.6%**	**52.9%**	**37.7%**	**39.6%**
All other expenses [1]	**5.0%**	**4.4%**	**4.6%**	**9.5%**	**4.0%**	**4.4%**

Source: State of Hawai‘i DBEDT, Year 2009 data not available
[1] *Includes cruise package and on-ship spending on U.S. Flagged Hawai'i home-ported ships.*

- Besides Lāna‘i, which is primarily comprised of two luxury hotels, O‘ahu has the highest daily spending in the State at $198.80 per visitor. This is due to O‘ahu having a much higher percentage of high-spending Japanese and US East visitors.

- Visitors using different types of accommodations also have different spending profiles’ O‘ahu hotel visitors average $189.90 per day, while condo and timeshare visitors average $152.20 and $116.90, respectively. Although timeshare visitors have a lower average

spending, it should be noted that this figure does not include the amount paid for timeshare ownership.

State of Hawai‘i Visitor Demographics

U.S West

- In 2009, 80.9 percent of U.S. West visitors were repeat visitors with an average of 6.89 trips to Hawai‘i. Over 77 percent of U.S. West visitors were independent travelers, who make their own travel arrangements.

- Hotels remain the most popular choice of accommodation for U.S. West visitors with 49.5 percent staying in a hotel. Condominium and timeshare accommodation are the next most popular choices at 22.0 and 15.3 percent, respectively.

Figure 8 U.S. West MMA Visitor Characteristics: 2008 vs. 2009 (Arrivals by air)

	2008	2009	% Change
VISIT STATUS			
First-Time	19.6%	19.1%	-2.4%
Repeat	80.4%	80.9%	0.6%
Average # of Trips	6.78	6.89	1.6%
TRAVEL METHOD			
Group Tour	2.6%	1.9%	-26.3%
Package	22.1%	22.2%	0.2%
True Independent	77.0%	77.2%	0.2%
LENGTH OF STAY			
Statewide (days)	9.41	9.62	2.3%
ACCOMMODATIONS			
Plan to stay in Hotel	49.5%	49.5%	-0.1%
Hotel only	41.5%	41.8%	0.8%
Plan to stay in Condo	23.1%	22.0%	-5.1%
Condo only	18.5%	17.8%	-4.2%
Plan to stay in Timeshare	14.6%	15.3%	5.1%
Timeshare only	11.4%	12.2%	6.8%
Cruise Ship	1.4%	1.2%	-13.5%
Friends/Relatives	12.9%	13.5%	4.7%
Bed & Breakfast	0.9%	0.8%	-9.2%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

The following table presents U.S. West arrivals statistics by state:

Figure 9 2009 Domestic U.S. West MMA Visitor Arrivals by State

REGION/STATE	TOTAL
PACIFIC COAST	**2,143,294**
Alaska	66,063
California	1,490,236
Oregon	176,893
Washington	410,103
MOUNTAIN	**523,350**
Arizona	140,148
Colorado	128,845
Idaho	36,620
Montana	19,265
Nevada	73,551
New Mexico	25,832
Utah	90,172
Wyoming	8,918
TOTAL U.S. WEST	**2,666,644**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority
Note: Sum may not add up to total due to rounding.

- Approximately 2.7 million U.S. West visitors arrived in Hawai'i in 2009.
- Most U.S. West visitors were from states along the Pacific Coast, with the large majority coming from California.
- Washington State is the second largest source of U.S. West visitors to Hawai'i, and has benefitted from increased non-stop air service between Seattle and Hawai'i in recent years.

U.S. East

- Hawai‘i’s U.S. East visitor market has a higher percentage of first-time visitors than U.S. West, but is still primarily a repeat visitor market, with 57.0 percent having visited Hawai‘i before.

- Hotels remain the most popular choice of accommodation for U.S. East visitors with 61.7 percent staying in a hotel. Condominiums and timeshares followed at 14.6 and 12.2 percent, respectively.

Figure 10 U.S. East MMA Visitor Characteristics: 2008 vs. 2009 (Arrivals by air)

	2008	2009	% Change
VISIT STATUS			
First-Time	43.9%	43.0%	-2.1%
Repeat	56.1%	57.0%	1.6%
Average # of Trips	3.85	3.99	3.6%
TRAVEL METHOD			
Group Tour	6.2%	4.6%	-25.6%
Package	26.8%	25.8%	-3.7%
True Independent	71.7%	72.9%	1.7%
LENGTH OF STAY			
Statewide (days)	10.45	10.42	1.3%
ACCOMMODATIONS			
Plan to stay in Hotel	61.7%	61.7%	0.0%
Hotel only	49.6%	50.2%	1.3%
Plan to stay in Condo	15.5%	14.6%	-6.1%
Condo only	10.6%	10.1%	-4.4%
Plan to stay in Timeshare	11.4%	12.2%	7.1%
Timeshare only	8.0%	8.8%	9.7%
Cruise Ship	5.6%	4.4%	-22.0%
Friends/Relatives	12.1%	12.9%	6.7%
Bed & Breakfast	1.4%	1.3%	-11.9%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

The following table presents U.S. East arrivals statistics by state:

Figure 11 2009 Domestic U.S. East MMA Visitor Arrivals by State (Arrivals by air)

REGION/STATE	TOTAL
W.N. CENTRAL	**185,493**
Iowa	23,440
Kansas	23,885
Minnesota	65,991
Missouri	42,487
Nebraska	16,029
N. Dakota	6,004
S. Dakota	7,656
W.S. CENTRAL	**275,781**
Arkansas	14,012
Louisiana	17,634
Oklahoma	26,120
Texas	218,014
E.N. CENTRAL	**320,563**
Illinois	120,255
Indiana	36,474
Michigan	57,361
Ohio	62,078
Wisconsin	44,397
E.S. CENTRAL	**75,069**
Alabama	18,763
Kentucky	18,140
Mississippi	7,893
Tennessee	30,273

REGION/STATE	TOTAL
NEW ENGLAND	**97,305**
Connecticut	22,874
Maine	7,502
Massachusetts	48,163
New Hampshire	8,320
Rhode Island	5,703
Vermont	4,744
MID ATLANTIC	**229,983**
New Jersey	60,709
New York	106,431
Pennsylvania	62,843
S. ATLANTIC	**336,179**
Delaware	4,565
Washington D.C.	7,616
Florida	85,242
Georgia	51,137
Maryland	47,277
N. Carolina	40,449
S. Carolina	17,528
Virginia	76,704
West Virginia	5,662
TOTAL U.S. EAST	**1,520,372**

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority
Note: Sum may not add up to total due to rounding.

- Most U.S. East visitors to Hawai‘i are from the South Atlantic and Northeast Central regions, which offers a majority of the non-stop air service into Hawai‘i from the U.S. East market. Texas is the largest source state from the U.S. East market, followed by Illinois.

Japan

- Although Hawai‘i’s Japanese arrivals have been in decline since 1997, 42.1 percent of Japanese visitors nonetheless were first-time visitors, with 57.9 percent as repeat visitors.

- The Japanese choice of travel method varies considerably from that of domestic visitors. Only 19.1 percent of visitors from Japan were independent travelers, with the majority of Japanese visitors traveling on group and/or package tours. We note that the percentage of travel method presented below exceeds 100 percent as Japanese group tours and packages can be purchased both individually or in combination.

- Japanese visitors overwhelmingly prefer hotel accommodations, although the use of timeshare and condominium accommodations has been increasing.

- Japanese visitors have the highest daily spending at $288.30, but stay only 5.83 days.

Figure 12 Japan MMA Visitor Characteristics: 2008 vs. 2009 (Arrivals by air)

	2008	2009	% Change
VISIT STATUS			
First-Time	38.7%	37.9%	-0.5%
Repeat	61.3%	62.1%	0.3%
Average # of Trips	3.86	3.96	3.8%
TRAVEL METHOD			
Group Tour	4.1%	2.7%	-12.7%
Package	28.2%	27.7%	-3.0%
True Independent	70.8%	71.6%	22.8%
LENGTH OF STAY			
Statewide (days)	12.88	12.62	0.9%
ACCOMMODATIONS			
Plan to stay in Hotel	51.4%	52.5%	-1.8%
Hotel only	38.6%	40.7%	-1.9%
Plan to stay in Condo	35.4%	34.4%	11.1%
Condo only	27.7%	27.4%	8.9%
Plan to stay in Timeshare	9.8%	11.0%	83.9%
Timeshare only	7.2%	7.7%	75.2%
Cruise Ship	5.1%	3.2%	-30.9%
Friends/Relatives	5.3%	5.3%	14.4%
Bed & Breakfast	1.2%	1.2%	-10.6%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Canada

- The Canadian market is more similar to the U.S. domestic market and has a relatively high percentage of repeat visitors at p 62.1 percent. These visitors have traveled to Hawai‘i an average of 3.96 trips, and 71.6 percent are independent travelers.

With a longer average length of stay of 12.62 days, Canadians chose a broader range of visitor accommodations. While hotels remain popular at 52.5 percent, Canadians also have a strong preference for condominium accommodations at 34.4 percent.

Figure 13 Canada MMA Visitor Characteristics: 2008 vs. 2009 (Arrivals by air)

	2008	2009	% Change
VISIT STATUS			
First-Time	38.7%	37.9%	-2.1%
Repeat	61.3%	62.1%	1.3%
Average # of Trips	3.86	3.96	2.6%
TRAVEL METHOD			
Group Tour	4.1%	2.7%	-33.8%
Package	28.2%	27.7%	-1.9%
True Independent	70.8%	71.6%	1.1%
LENGTH OF STAY			
Statewide (days)	12.88	12.62	2.1%
ACCOMMODATIONS			
Plan to stay in Hotel	51.4%	52.5%	2.1%
Hotel only	38.6%	40.7%	5.4%
Plan to stay in Condo	35.4%	34.4%	-2.7%
Condo only	27.7%	27.4%	-1.1%
Plan to stay in Timeshare	9.8%	11.0%	11.6%
Timeshare only	7.2%	7.7%	7.1%
Cruise Ship	5.1%	3.2%	-37.1%
Friends/Relatives	5.3%	5.3%	0.0%
Bed & Breakfast	1.2%	1.2%	0.2%

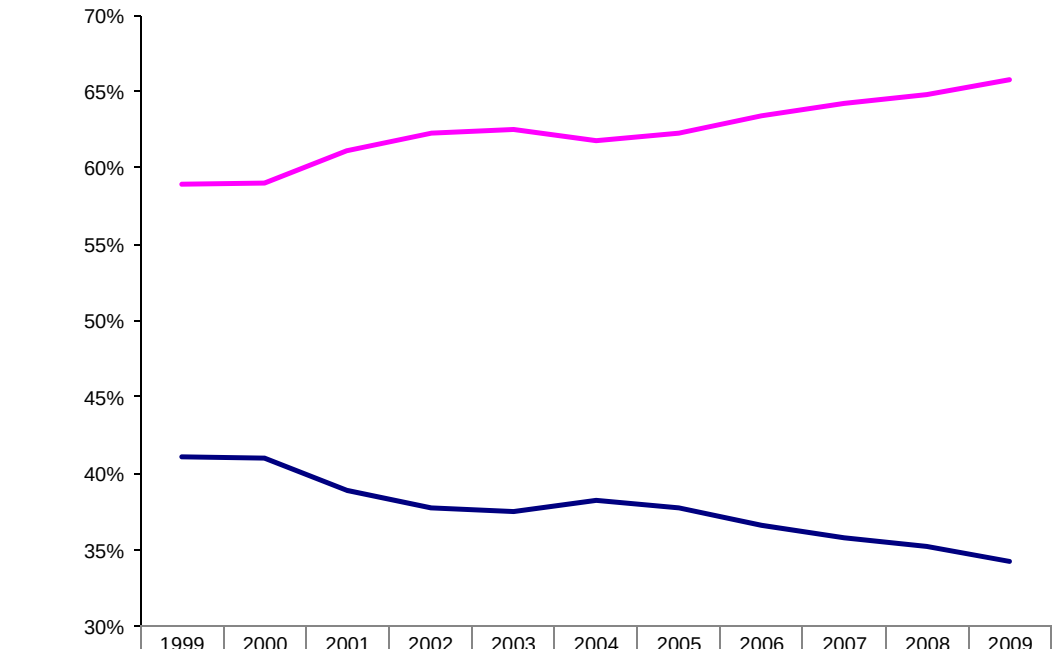
Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

First Time versus Repeat Visitors

The following table presents first time and repeat visitor statistics from 1999 to 2009:

Figure 14

Hawaii Statewide Percentage of First Time & Repeat Visitors



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
First Time	41.1%	41.0%	38.9%	37.7%	37.5%	38.2%	37.7%	36.6%	35.8%	35.2%	34.2%
Repeat	58.9%	59.0%	61.1%	62.3%	62.5%	61.8%	62.3%	63.4%	64.2%	64.8%	65.8%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- The number of repeat visitors to Hawai‘i has steadily increased over the past decade, which present several major implications for Hawai‘i’s tourism industry.
- First time visitors tend to prefer hotel accommodations, whereas repeat visitors increasingly choose other accommodations including timeshare and condominium accommodations.
- First time visitors have a greater tendency to travel on packages, while repeat visitors prefer to travel independently and make their own travel arrangements.
- Only 56.4 percent of repeat visitors visited O‘ahu, while 73.9 percent of first time visitors included O’ahu on their itinerary.

Figure 15 First-Time & Repeat Visitor Characteristics: 2007 vs. 2008 (Arrivals by air)

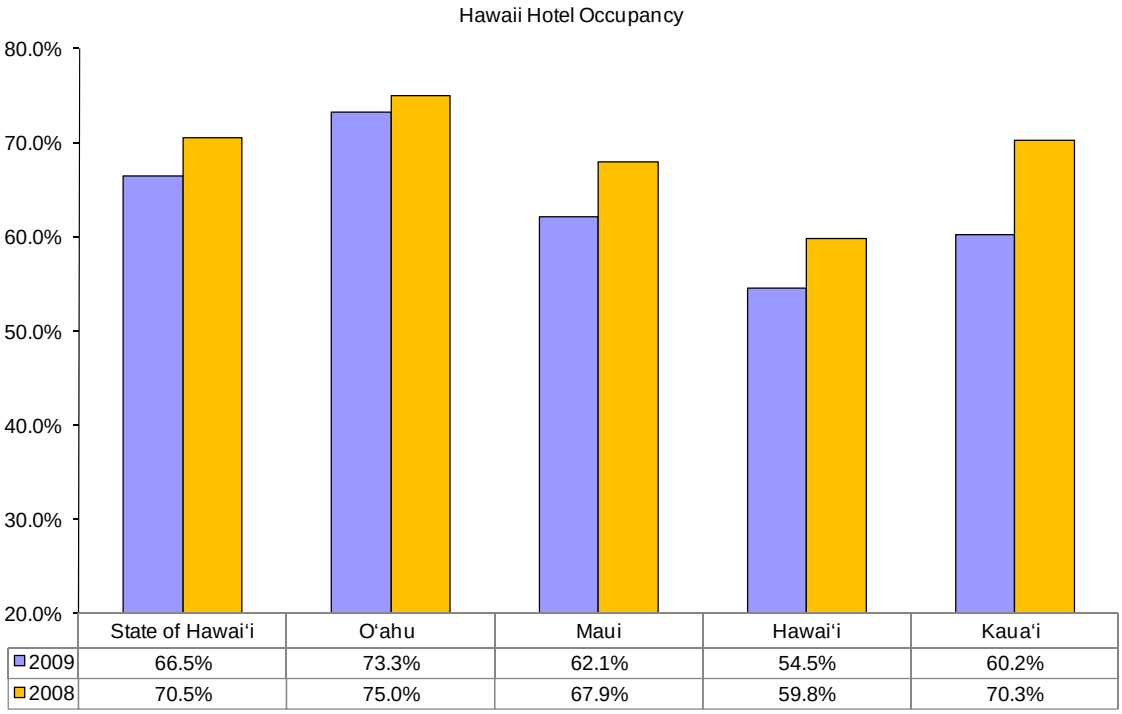
	FIRST TIME			REPEAT		
	2007	2008	% Change	2007	2008	% Change
Total Visitor Days	22,281,679	20,048,015	-10.0%	46,853,631	43,082,118	-8.0%
Total Visitors	2,646,523	2,338,202	-11.7%	4,850,297	4,375,234	-9.8%
VISIT STATUS						
Average # of Trips	1	1	0.0%	6.91	7.05	2.0%
TRAVEL METHOD						
Group Tour	17.5%	16.3%	-7.0%	9.1%	8.4%	-8.0%
Package	51.9%	49.4%	-4.8%	31.0%	28.5%	-8.0%
Group Tour & Pkg	14.9%	13.7%	-7.7%	7.6%	6.9%	-9.1%
True Independent	45.5%	48.1%	5.7%	67.4%	69.9%	3.7%
ISLANDS VISITED						
O'ahu	73.4%	73.9%	0.7%	56.8%	56.4%	-0.7%
Maui County	33.4%	30.6%	-8.3%	33.8%	32.3%	-4.4%
Kaua'i	17.5%	14.3%	-18.1%	17.3%	15.9%	-7.8%
Hawai'i Island	22.8%	20.3%	-11.0%	21.0%	19.4%	-7.9%
LENGTH OF STAY						
Statewide (days)	8.42	8.57	1.8%	9.66	9.85	1.9%
ACCOMMODATIONS						
Hotel	71.8%	73.5%	2.5%	57.2%	56.7%	-0.9%
...Hotel Only	61.9%	65.0%	5.0%	48.6%	48.7%	0.0%
Condo	11.9%	12.0%	1.3%	20.8%	20.9%	0.5%
...Condo Only	8.6%	8.7%	1.1%	16.2%	16.4%	0.8%
Timeshare	5.7%	6.2%	9.2%	10.7%	12.0%	12.9%
...Timeshare Only	4.3%	4.7%	9.2%	8.0%	9.1%	14.3%
Rental House	3.5%	3.7%	6.3%	4.6%	5.0%	7.3%
Bed & Breakfast	1.3%	1.4%	4.3%	0.9%	0.8%	-4.8%
Cruise Ship	8.7%	4.3%	-51.2%	3.5%	1.6%	-54.4%
Friends or Relatives	6.5%	6.5%	0.7%	11.6%	11.6%	0.2%

Source: State of Hawai'i DBEDT, Year 2009 data not available

Hawai‘i Hotel Performance

The following table presents hotel occupancies for the state and islands in 2008 and 2009:

Figure 16



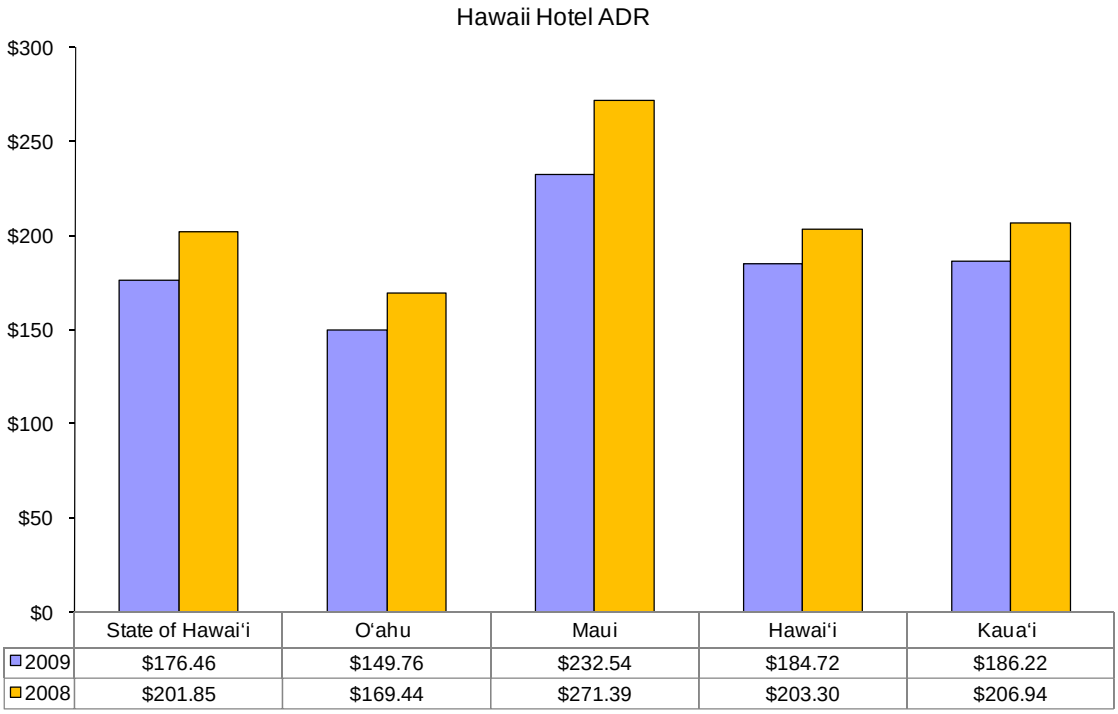
	State of Hawai‘i	O‘ahu	Maui	Hawai‘i	Kaua‘i
2009	66.5%	73.3%	62.1%	54.5%	60.2%
2008	70.5%	75.0%	67.9%	59.8%	70.3%

Source: Smith Travel Research, Hospitality Advisors LLC

- In 2009, statewide hotel occupancy was 66.5 percent, down from 70.5 percent in 2008. O‘ahu had the highest hotel occupancy in the state in 2009 at 73.3 percent. O‘ahu has consistently led the state in occupancy due to the dominance of Waikīkī as the state’s primary destination. In contrast, the Big Island typically has the lowest occupancy in the state, due to the more fragmented nature of its visitor product.

The following table presents hotel average daily rates for the state and islands in 2008 and 2009:

Figure 17



	State of Hawai'i	O'ahu	Maui	Hawai'i	Kaua'i
2009	$176.46	$149.76	$232.54	$184.72	$186.22
2008	$201.85	$169.44	$271.39	$203.30	$206.94

Source: Smith Travel Research, Hospitality Advisors LLC

- Decreased visitor arrivals and hotel occupancies have led to substantial discounting as the statewide average daily rate ("ADR") decreased 12.6 percent in 2009. Maui typically has the highest ADR in the state, while O'ahu has the lowest ADR due to its broader visitor and product base.

Visitor Accommodation Unit Inventory – State of Hawai‘i

The City and County Land Use Ordinance ("LUO") includes definitions for types of units designated for visitor use and collectively refers to these units as "transient vacation units." However, the Visitor Plant Inventory ("VPI") published by the Hawai‘i Tourism Authority uses the following definitions for each categories of visitor units as presented below:

- **Apartment / Hotel ("Apt/Hotel"):** Inexpensive units (usually in a low-rise building) equipped with kitchens and geared for long-term rentals. Front desk operations and maid service are usually limited and sometimes non-existent.

- **Bed & Breakfast ("B&B"):** A lodging facility with a limited number of guest units, which include breakfast in the daily rental rate. Typical bed and breakfast facilities are either small, quaint inns, or family homes.

- **Condominium Hotel ("Condo Hotel"):** A multi-unit property legally classified as a condominium with each unit individually deeded. Generally, units are collectively placed into transient hotel rental operations, offering most of the services of a hotel, such as daily maid service and front desk operations. Condominium units are usually larger than hotel units and include studios and one- to three-bedroom units, with kitchen and laundry facilities, geared for transient use of 30 days or less.

- **Hotel:** A multi-unit lodging facility which provides room accommodations on a daily basis and generally, but not always, restaurant operations and other "away from home" services such as daily maid service and front desk operations. Includes condominiums if a single owner owns all units and the property is operated as defined here.

- **Hostels:** An inexpensive, limited service facility, often with dormitory-style accommodations, appealing primarily to younger travelers.

- **Individual Vacation Unit ("IVU"):** An individual vacation unit can be classified as an IVU-condominium unit (not in a hotel rental operation), and IVU-house, villa, or cottage with very limited service, often with only basic cleaning supplies provided, or an IVU-cabin unit. They can also be reported as unclassified and are listed as an individual vacation unit.

- **Timeshare:** A timeshare is a kind of property ownership that allows guests to acquire a percentage of interest in a hotel unit, condominium/hotel, bed and breakfast, individual vacation home etc. for a specific period of time on a recurring basis. This share could be one week per year (i.e. 1/52 share) or more; some resorts offering one week every other year (1/104 share) or four weeks per year (1/13 share).

    - The timeshare portion of the survey questionnaire asks for information on the number of units registered as timeshare and units operated as timeshare. The number of units registered includes those that are available for sale as well as

those currently in use by visitors. The number of units operated represents the units that have been sold and are used.

- **Other:** Includes residential condominium units, timeshare units, motels, lodges, inns, or any other form of property not included in the above definitions.

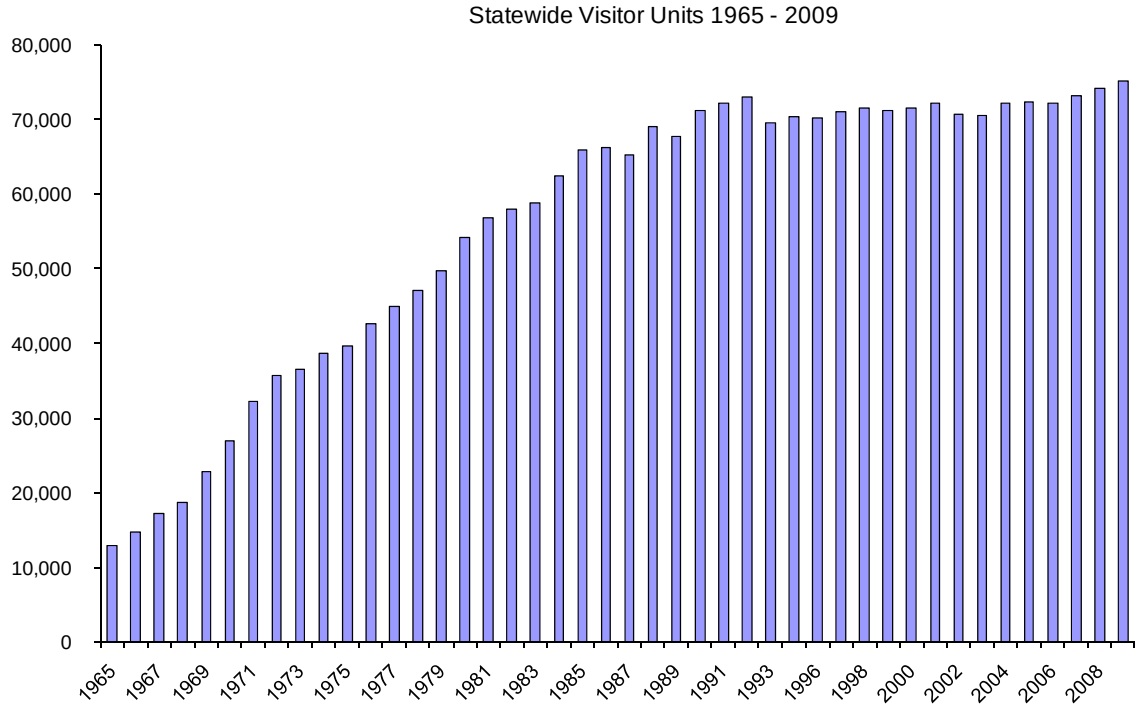
As the VPI is the authoritative source for visitor accommodations data in the State, for the purposes of this report we will use the definitions as provided in the VPI report.

Historical Visitor Plant Inventory

- Between 1965 to 1992, Hawai‘i experienced a significant increase in visitor accommodation units. Hawai‘i had 12,903 visitor units in 1965. In 1992, there were 73,089 visitor units due to new hotel construction, driven primarily by Japanese investment into Hawai‘i. In 1993, over 3,000 units were out of service on Kaua‘i after Hurricane Iniki. Visitor units began to increase starting in 2004, which primarily represented new timeshare and condominium development. In 2009, statewide visitor units were at an all-time high of 75,188, which again was primarily driven by new timeshare and resort condominium development.

- Waikīkī is supported by over 28,000 units, representing 38.0 percent of all visitor accommodation units in the State.

Figure 18



Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- The recent growth in the State's visitor accommodations inventory has been fueled primarily by timeshare development on the Neighbor Islands. Inventory on O'ahu peaked in 1986 and has been falling through 2009 due to conversions to condominium and timeshare product, and reduction in hotel unit count in exchange for larger units.

Figure 19 1965 - 2009 Visitor Plant Inventory - Available Units by County

Year	State Total	O'AHU		HAWAI'I COUNTY		KAUA'I COUNTY		MAUI COUNTY	
		Units	% Share	Units	% Share	Units	% Share	Units	% Share
1965	12,903	10,031	77.7	865	6.7	776	6.0	1,231	9.5
1966	14,827	11,083	74.7	1,387	9.4	860	5.8	1,497	10.1
1967	17,217	12,598	73.2	1,790	10.4	1,115	6.5	1,714	10.0
1968	18,657	13,166	70.6	2,188	11.7	1,260	6.8	2,043	11.0
1969	22,801	15,992	70.1	2,480	10.9	1,914	8.4	2,415	10.6
1970	26,923	18,449	68.5	3,166	11.8	2,565	9.5	2,743	10.2
1971	32,289	22,531	69.8	3,435	10.6	2,628	8.1	3,695	11.4
1972	35,797	24,742	69.1	4,241	11.8	2,719	7.6	4,095	11.4
1973	36,608	25,108	68.6	4,796	13.1	2,629	7.2	4,075	11.1
1974	38,675	25,365	65.6	5,234	13.5	2,868	7.4	5,208	13.5
1975	39,632	25,352	64.0	5,348	13.5	3,102	7.8	5,830	14.7
1976	42,648	25,851	60.6	6,045	14.2	3,520	8.3	7,232	17.0
1977	44,986	27,363	60.8	5,929	13.2	3,657	8.1	8,037	17.9
1978	47,070	28,546	60.6	6,002	12.8	3,786	8.0	8,736	18.6
1979	49,832	30,065	60.3	6,093	12.2	4,202	8.4	9,472	19.0
1980	54,246	34,334	63.3	5,889	10.9	4,322	8.0	9,701	17.9
1981	56,769	33,967	59.8	6,705	11.8	4,738	8.3	11,359	20.0
1982	57,968	33,492	57.8	7,167	12.4	5,147	8.9	12,162	21.0
1983	58,765	34,354	58.5	7,469	12.7	4,193	7.1	12,749	21.7
1984	62,448	36,848	59.0	7,149	11.4	5,313	8.5	13,138	21.0
1985	65,919	38,600	58.6	7,511	11.4	5,656	8.6	14,152	21.5
1986	66,308	39,010	58.8	7,280	11.0	5,922	8.9	14,096	21.3
1987	65,318	38,185	58.5	7,328	11.2	5,956	9.1	13,849	21.2
1988	69,012	37,841	54.8	8,823	12.8	7,180	10.4	15,168	22.0
1989	67,734	36,467	53.8	8,161	12.0	7,398	10.9	15,708	23.2
1990	71,266	36,899	51.8	8,952	12.6	7,546	10.6	17,869	25.1
1991	72,275	36,623	50.7	9,383	13.0	7,567	10.5	18,702	25.9
1992	73,089	36,851	50.4	9,170	12.5	7,778	10.6	19,290	26.4
1993	69,502	36,604	52.7	9,140	13.2	4,631	6.7	19,127	27.5
1994	70,463	36,194	51.4	9,595	13.6	5,870	8.3	18,804	26.7
1995	NA	NA	NA	NA	NA	NA	NA	NA	NA
1996	70,288	36,146	51.4	9,558	13.6	6,760	9.6	17,824	25.4
1997	71,025	35,971	50.6	9,913	14.0	6,589	9.3	18,552	26.1
1998	71,480	36,206	50.7	9,655	13.5	6,969	9.7	18,650	26.1
1999	71,157	35,861	50.4	9,815	13.8	6,872	9.7	18,609	26.2
2000	71,506	36,303	50.8	9,774	13.7	7,159	10.1	18,270	25.6
2001	72,204	36,824	51.0	9,944	13.8	7,202	10.0	18,234	25.3
2002	70,783	36,457	51.5	9,297	13.1	7,037	9.9	17,992	25.4
2003	70,579	35,541	50.4	9,478	13.4	7,257	10.3	18,303	25.9
2004	72,176	35,769	49.6	9,857	13.7	8,105	11.2	18,445	25.6
2005	72,307	33,926	46.9	10,940	15.1	8,221	11.4	19,290	26.7
2006	72,274	33,606	46.5	10,831	15.0	8,266	11.4	19,571	27.1
2007	73,220	33,588	45.9	11,061	15.1	8,692	11.9	19,879	27.1
2008	74,177	34,081	45.9	11,240	15.2	9,203	12.4	19,653	26.5
2009	75,188	34,027	45.3	11,541	15.3	9,469	12.6	20,151	26.8

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority
Note: An update survey was not conducted in 1995.

Section II: O‘ahu Visitor Market Overview

Introduction

This section provides an overview of O‘ahu’s visitor market. Included in this section are analyses of visitor arrivals, visitor demographics, and other trends within O‘ahu’s visitor market.

Summary of Highlights

O‘ahu and Waikīkī continue to be Hawai’i’s primary destination with over four million visitors coming to O‘ahu annually. Approximately 74 percent of all first-time visitors spend part or all of their time on the island. The predominant market segments for O‘ahu are from the U.S mainland, Japan and Canada. O‘ahu also has the highest average daily census among the Hawaiian Islands, with over 81,000 visitors on O‘ahu on any given day.

Visitor Arrivals

- Presented below are historical visitor arrivals to O‘ahu, which totaled over 4 million visitors in 2009, of which 2.4 million were domestic visitors and 1.6 million international arrivals. Japanese visitors accounted for 68 percent of international visitors, with Canadians second at 11 percent.

Figure 20 O‘ahu Visitors Staying Overnight or Longer: 1990 – 2009 (Arrivals by air)

	BOTH DIRECTIONS		DOMESTIC		INTERNATIONAL	
Year	Visitors	% Change from Previous Year	Visitors	% Change from Previous Year	Visitors	% Change from Previous Year
1990	5,139,558		2,900,484		2,239,074	
1991	4,831,027	-6.0%	2,573,476	-11.3%	2,257,551	0.8%
1992	4,864,159	0.7%	2,421,637	-5.9%	2,442,522	8.2%
1993	4,472,235	-8.1%	2,258,534	-6.7%	2,213,701	-9.4%
1994	4,629,736	3.5%	2,284,181	1.1%	2,345,555	6.0%
1995	4,817,552	4.1%	2,216,896	-2.9%	2,600,656	10.9%
1996	4,903,884	1.8%	2,227,349	0.5%	2,676,535	2.9%
1997	4,875,611	-0.6%	2,173,316	-2.4%	2,702,295	1.0%
1998	4,601,834	-5.6%	2,222,551	2.3%	2,379,283	-12.0%
1999	4,560,141	-0.9%	2,347,040	5.6%	2,213,101	-7.0%
2000	4,719,244	3.5%	2,485,058	5.9%	2,234,186	1.0%
2001	4,257,535	-9.8%	2,379,285	-4.3%	1,878,250	-15.9%
2002	4,276,077	0.4%	2,423,169	1.8%	1,852,908	-1.3%
2003	4,090,483	-4.3%	2,415,386	-0.3%	1,675,097	-9.6%
2004	4,464,552	9.1%	2,612,029	8.1%	1,852,523	10.6%
2005	4,731,843	6.0%	2,808,467	7.5%	1,923,376	3.8%
2006	4,688,117	-0.9%	2,891,187	2.9%	1,796,930	-6.6%
2007	4,694,750	0.1%	2,950,383	2.0%	1,744,367	-2.9%
2008	4,193,685	-10.7%	2,554,895	-13.4%	1,638,790	-6.1%
2009	4,032,198	-3.9%	2,446,652	-4.2%	1,585,546	-3.2%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Figure 21 Annual O‘ahu Visitor Arrivals by Top-Four MMA

Year	US West	% Change from Previous Year	US East	% Change from Previous Year	Japan	% Change from Previous Year	Canada	% Change from Previous Year
1990	1,460,081		1,296,310		1,453,410		161,162	
1991	1,397,469	-4%	1,212,590	-6%	1,404,712	-3%	122,735	-24%
1992	1,273,962	-9%	1,041,212	-14%	1,645,678	17%	115,836	-6%
1993	1,185,748	-7%	912,310	-12%	1,513,844	-8%	133,362	15%
1994	1,214,270	2%	883,100	-3%	1,732,139	14%	125,793	-6%
1995	1,192,807	-2%	870,823	-1%	1,991,761	15%	116,267	-8%
1996	1,198,822	1%	920,619	6%	2,031,359	2%	130,249	12%
1997	1,138,463	-5%	825,128	-10%	2,169,959	7%	120,223	-8%
1998	1,049,019	-8%	960,646	16%	1,950,068	-10%	124,659	4%
1999	1,141,244	9%	971,788	1%	1,752,551	-10%	135,927	9%
2000	1,188,392	4%	1,093,606	13%	1,720,362	-2%	137,911	1%
2001	1,178,104	-1%	1,024,148	-6%	1,465,731	-15%	122,736	-11%
2002	1,211,804	3%	1,025,097	0%	1,429,346	-2%	106,959	-13%
2003	1,210,386	0%	1,033,553	1%	1,276,468	-11%	113,712	6%
2004	1,274,318	5%	1,133,855	10%	1,418,747	11%	123,099	8%
2005	1,378,411	8%	1,202,244	6%	1,456,376	3%	143,225	16%
2006	1,430,018	4%	1,176,607	-2%	1,303,374	-11%	154,849	8%
2007	1,467,123	3%	1,155,999	-2%	1,256,723	-4%	159,723	3%
2008	1,254,836	-14%	1,029,778	-11%	1,127,441	-10%	195,034	22%
2009	1,254,952	0%	960,831	-7%	1,081,366	-4%	173,955	-11%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Average Daily Visitor Census

- The table below presents the average daily census for the island of O‘ahu from 1990 to 2009. The average daily census combines the average length of stay and visitor arrivals to estimate the number of visitors that are on the island on any given day. Average daily census is an important measure of the vitality of the market, as well as the daily impact the market has on the island’s infrastructure. For example, in 2009, there were over 81,000 daily visitors on O‘ahu, which is roughly ten percent of the island’s *de facto* population that shares the resources of the island, but also provides substantial employment.

- The statewide average daily census has shown a relatively stable upward trend due primarily to the growth in visitor arrivals to the Neighbor Islands. However, as a result of Waikīkī’s rejuvenation, O‘ahu average daily census has also increased substantially during the past ten years, the current downturn notwithstanding.

Figure 22 State of Hawai‘i and O‘ahu Visitor Days and Average Daily Census

	Annual Visitor Days		Average Daily Census	
Year	State	O‘ahu	State	O‘ahu
1990	56,398,499	30,215,944	154,516	82,783
1991	53,772,839	27,378,022	147,323	75,008
1992	55,723,013	28,469,480	152,249	77,785
1993	53,836,611	28,509,549	147,498	78,108
1994	57,169,825	29,757,067	156,630	81,526
1995	57,340,911	29,697,086	157,098	81,362
1996	57,936,622	29,584,826	158,297	80,833
1997	57,373,493	27,794,774	157,188	76,150
1998	57,446,913	26,507,565	157,389	72,623
1999	60,020,237	29,016,511	164,439	79,497
2000	61,721,150	31,077,256	168,637	84,911
2001	57,760,242	29,091,282	158,247	79,702
2002	58,471,088	29,033,518	160,195	79,544
2003	58,782,699	28,023,305	161,048	76,776
2004	62,761,989	30,640,704	171,481	83,718
2005	67,687,479	32,767,952	185,445	89,775
2006	69,145,854	32,545,981	189,441	89,167
2007	69,135,310	32,153,400	189,412	88,092
2008	62,905,608	29,555,809	171,873	80,754
2009	60,553,721	29,622,503	165,901	81,158

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Visitor Demographics

Domestic

- O‘ahu’s domestic visitor market is a mature market, as the majority of visitors are repeat visitors. In 2008 (last available data on an individual island basis), 62.2 percent of domestic visitors were repeat visitors to Hawai‘i with an average of 5.06 trips to O‘ahu.
- In 2008, 70.5 percent of U.S. visitors to O‘ahu were independent travelers rather than participants in a tour group or travel package. This primarily reflects the high repeat mix of visitors to O‘ahu, which prefer to make their own travel arrangements.
- Approximately two-thirds of O‘ahu’s domestic visitors stay on O‘ahu only, while the remaining one-third include Neighbor Island travel.
- O‘ahu visitors stayed an average of 7.74 days on the island and 10.08 days in the state.
- Hotels remain the most popular choice of accommodation for domestic visitors with 66.3 percent staying in a hotel. Condominiums and timeshare are the next most popular choices at 11.2 and 8.0 percent, respectively.

Figure 23 O'ahu Domestic Visitor Characteristics: 2007 vs. 2008

	2007	2008	% Change
PARTY SIZE			
Avg Party Size	1.90	1.86	-2.1%
VISIT STATUS			
First-Time	38.7%	37.8%	-2.4%
Repeat	61.3%	62.2%	1.5%
Average # of Trips	4.85	5.06	4.3%
TRAVEL METHOD			
Group Tour	7.1%	5.7%	-19.4%
Package	32.0%	28.1%	-12.4%
Group Tour & Pkg	5.6%	4.3%	-23.1%
True Independent	66.4%	70.5%	6.1%
ISLANDS VISITED			
O'ahu	100.0%	100.0%	0.0%
Maui County	24.5%	20.8%	-14.7%
Kaua'i	17.3%	13.1%	-24.3%
Hawai'i Island	19.7%	15.4%	-21.5%
O'ahu Only	62.4%	66.2%	6.1%
LENGTH OF STAY			
O'ahu (days)	7.34	7.74	5.4%
Statewide (days)	9.89	10.08	2.0%

	2007	2008	% Change
ACCOMMODATIONS [1]			
Condo Only	6.1%	6.3%	4.3%
Timeshare	7.2%	8.0%	10.3%
Timeshare Only	4.4%	4.9%	10.7%
Rental House	4.4%	4.9%	11.6%
Bed & Breakfast	1.0%	1.1%	11.1%
Cruise Ship	11.1%	5.4%	-51.2%
Friends or Relatives	14.9%	15.7%	5.5%
PURPOSE OF TRIP			
Pleasure (Net)	76.2%	74.1%	-2.7%
Vacation	71.8%	69.9%	-2.7%
Honeymoon	4.6%	4.4%	-3.4%
Get Married	1.0%	1.0%	-3.5%
MC&I (Net)	6.9%	6.7%	-3.7%
Other Business	6.0%	6.3%	4.8%
Visit Friends/Relatives	14.5%	15.3%	5.4%
Sport Events	2.1%	2.5%	16.5%

Source: State of Hawai‘i DBEDT, Year 2009 data not available

[1] *Accommodations here do not indicate the number of visitors who used a particular accommodation just on O'ahu but statewide.*

International

- Only 28.5 percent of international visitors were independent travelers, with the remainder traveling on group tours, travel packages, or a combination of both.

- As the Big Island is the only Neighbor Island destination that permits limited international service, Honolulu continues to remain the principal international gateway into Hawai‘i. This benefits O‘ahu given the short-stay nature of the Japanese market, which makes Neighbor Island travel more problematic.

- Similar to statewide statistics, O’ahu’s international visitors prefer hotel accommodations, although there is a trend towards choosing timeshares and condominium product. International visitors to O‘ahu also have shorter lengths of stay than domestic visitors and travel in larger party size.

Figure 24 O'ahu International Visitor Characteristics: 2007 vs. 2008

	2007	2008	% Change
PARTY SIZE			
Avg Party Size	2.72	2.59	-4.8%
VISIT STATUS			
First-Time	45.8%	46.5%	1.6%
Repeat	54.2%	53.5%	-1.3%
Average # of Trips	3.34	3.39	1.5%
TRAVEL METHOD			
Group Tour	33.7%	31.3%	-7.1%
Package	69.8%	67.8%	-2.9%
Group Tour & Pkg	29.8%	27.6%	-7.6%
True Independent	26.3%	28.5%	8.3%
ISLANDS VISITED			
O'ahu	100.0%	100.0%	0.0%
Maui County	11.1%	10.5%	-5.0%
Kaua'i	5.5%	4.5%	-17.7%
Hawai'i Island	14.6%	14.0%	-4.4%
O'ahu Only	76.6%	77.2%	0.9%
LENGTH OF STAY			
O'ahu (days)	6.02	6.19	2.9%
Statewide (days)	6.97	7.18	2.9%

	2007	2008	% Change
ACCOMMODATIONS [1]			
Condo Only	6.2%	6.6%	7.9%
Timeshare	1.5%	1.9%	24.9%
Timeshare Only	1.0%	1.2%	26.8%
Rental House	0.9%	1.1%	17.8%
Bed & Breakfast	0.5%	0.4%	-17.9%
Cruise Ship	1.9%	1.0%	-44.6%
Friends or Relatives	3.3%	3.1%	-4.9%
PURPOSE OF TRIP			
Pleasure (Net)	85.7%	85.2%	-0.6%
Vacation	72.5%	70.9%	-2.3%
Honeymoon	12.1%	13.5%	12.3%
Get Married	4.3%	3.9%	-8.8%
MC&I (Net)	4.6%	5.1%	10.3%
Other Business	1.4%	1.4%	4.6%
Visit Friends/Relatives	3.7%	3.5%	-7.0%
Sport Events	2.6%	2.6%	0.7%

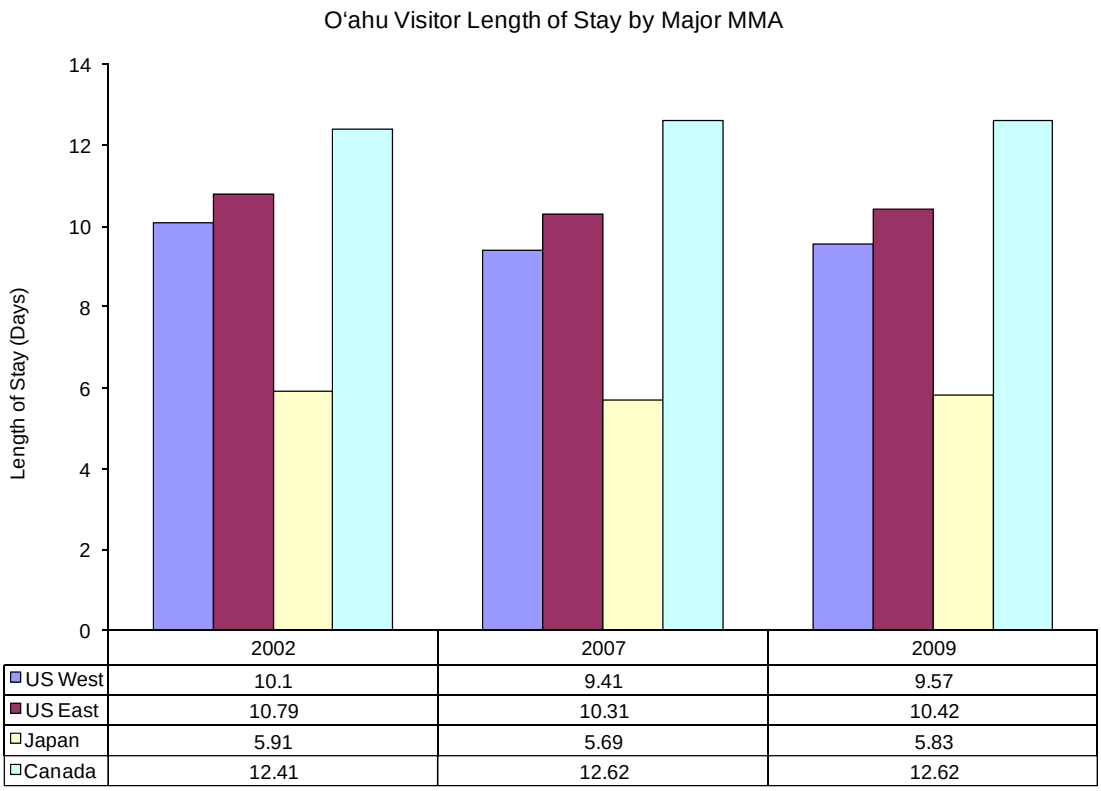
Source: State of Hawai‘i DBEDT, Year 2009 data not available

[1] *Accommodations here do not indicate the number of visitors who used a particular accommodation just on O'ahu but statewide.*

Length of Stay

The following chart presents visitor length of stay to O'ahu by major market area:

Figure 25



	2002	2007	2009
US West	10.1	9.41	9.57
US East	10.79	10.31	10.42
Japan	5.91	5.69	5.83
Canada	12.41	12.62	12.62

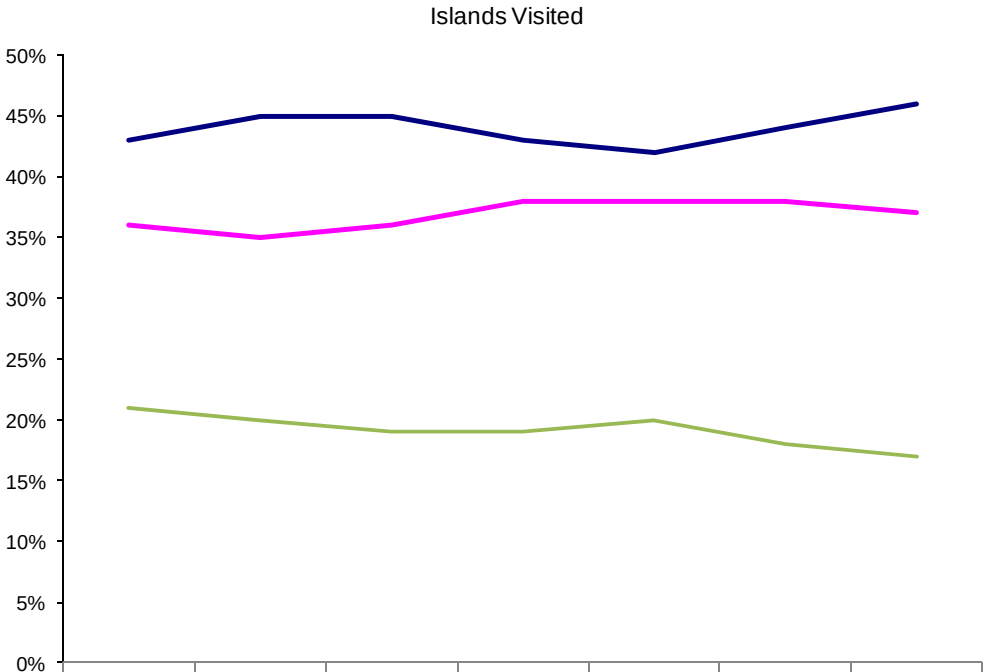
Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

- Canadian visitors to O'ahu have the longest length of stay among the four major market areas, staying an average of 12.62 days. In 2009, Japanese visitors stayed an average of 5.83 days, while the U.S. West and East visitors stayed an average of 9.57 and 10.42 days, respectively.

Islands Visited

- The following chart presents the percentage of visitors that visited O‘ahu and/or the Neighbor Islands, which indicates a slight increase in the percentage of visitors choosing to stay exclusively on O‘ahu. This can be attributed to the market repositioning of Waikīkī and the rise in timeshare ownership.

Figure 26



	2003	2004	2005	2006	2007	2008	2009
Oahu Only	43%	45%	45%	43%	42%	44%	46%
N.I. Only	36%	35%	36%	38%	38%	38%	37%
Oahu and N.I.	21%	20%	19%	19%	20%	18%	17%

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

Primary Visitor Trends

- Major shifts in visitor demographics and preferences for both domestic and Japan arrivals began to surface during the mid 1990s. These shifts have largely influenced the direction of product renewal and redevelopment during the last ten years both in the Neighbor Islands and more particularly on O‘ahu, and will likely continue through the medium term.

- The primary change has been the substantial rise in the level of sophistication in the visitor market, which in turn has increased visitor expectations and demand

segmentation. This trend, combined with the need to remain competitive with other destinations, has helped spur the current cycle of product renewal in Waikīkī and O‘ahu.

- While hotel accommodations remain the top choice, there has been a growing trend to use alternative accommodations, including timeshare, resort condo hotels, vacation home rentals, and bed and breakfasts.

- One of the major trends occurring is the increase in family travel, which often seeks larger unit accommodations and kitchen facilities. This trend has helped timeshare and resort condominium sales, as well as redevelopment to fewer but larger units.

- The current economic downturn aside, an “upscaling” of demand has also been evident both nationally and in Hawai‘i. This was most evident in Waikīkī during the mid 2000s, where a number of hotels underwent major renovation and product repositioning.

- Prior to this renovation cycle, the Waikīkī upscale market had shrunk considerably as a number of hotels dropped into the mid-priced or lower categories due to deterioration during the 1990s downturn. This created a large product gap between luxury hotels and the remaining market. After the renovated hotels were reintroduced into the market, the price increases and inventory were absorbed into the market fairly quickly. This indicated that there was pent-up demand for higher quality product in Waikīkī. The ability to offer higher quality hotel and retail product in Waikīkī has also helped to attract higher spending visitors, which continues to be one of the State’s strategic tourism goals.

- The demand for eco, historical and cultural tourism continues to increase, as evidenced by the increase in such tours and activities across the state. For example, there has been a sharp increase over the past several years of tours to non-traditional areas such as Kailua Beach and the North Shore. Such tours are typically day trip activities, although a portion of the market desires to have a life style “community” experience finding accommodations in these areas. While the demand for accommodations directly related to such travel has not been studied, likely beneficiaries include individual vacation rentals and B&B accommodations outside of Waikīkī.

- There is currently an evolving segment of accommodation demand that relates primarily to community needs rather than servicing the visitor industry. Instead, demand is driven by more localized dynamics. Such is the case of the planned redevelopment and expansion of the prior Lā‘ie Inn to a 220-room hotel to serve the BYUH university community, two proposed hotels in Kapolei to better serve government, military and expected community demand from Kapolei, and the proposed Koa Ridge hotel to serve military demand, as well as anticipated community demand including demand from statewide and international athletic events at the Waipi‘o Soccer Complex and the Central O‘ahu Recreational Park.

Section III: O‘ahu Lodging Market Overview

Introduction

This section presents an overview of accommodation supply on the island of O‘ahu. Particular attention is given to O‘ahu’s existing visitor accommodation unit inventory, which is discussed by location and type. Future supply additions will be briefly discussed where appropriate.

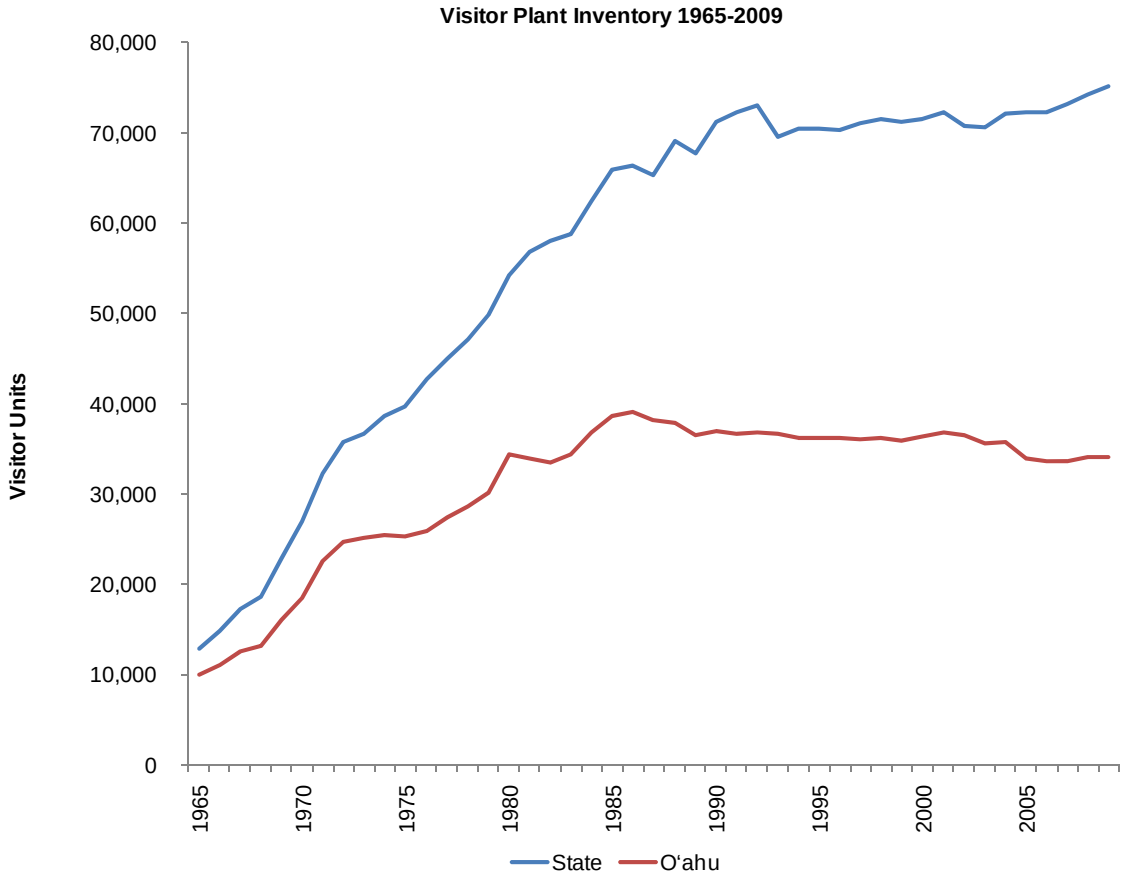
Summary Highlights

The island of O‘ahu continues to welcome the majority of visitors to the State of Hawai‘i. Its visitor accommodation inventory is generally older than that on the Neighbor Islands, but is more diverse and generally achieves higher occupancy levels. In 2009, there were 34,027 visitor units on O‘ahu, including hotels, condominium hotels, apartment hotels, timeshare, bed and breakfasts, hostels, and individual vacation units.

O‘ahu Lodging Overview

- In 1965, O‘ahu had 10,031 visitor units, or 77.7 percent of the State’s total units. By 1971, the number of units had more than doubled as tourism evolved into a major industry. Growth continued until 1986, when visitor units peaked at 39,010.

Figure 27



Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

Visitor Accommodation Types

The following table presents O'ahu visitor unit inventory by type for the years 1992, 2002, and 2009:

Figure 28

ACCOMMODATION TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Apartment/ Hotel	303	307	93
Bed & Breakfast	38	28	105
Condominium Hotel	7,530	3,088	4,695
Hostel	172	213	251
Hotel	28,432	31,178	25,786
Individual Vacation Unit	113	228	653
Timeshare	671	981	2,362
Other	20	434	82
Total	**37,279**	**36,457**	**34,027**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

- Hotels continue to dominate the mix of transient accommodations on O'ahu. The number of hotel units has decreased since 2002 due to conversions to resort and/or residential condominiums, timeshare and reduction in property unit count in exchange for larger unit size.

- The number of condominium units increased to 4,695 by 2009, or 13.8 percent of O'ahu's inventory. The increase is attributable primarily to hotel conversions and new condominium development on the island.

- Clear upward trends can be seen in bed and breakfasts, individual vacation units, and timeshare units between 1992 and 2009. Bed and breakfasts and timeshare units both approximately tripled during this period, and individual vacation units increased almost six-fold.

- In 2002, hotel rooms accounted for 85.5 percent of the visitor rooms on O'ahu. By 2009, traditional hotel rooms represented 75.8 percent of O'ahu's accommodation mix. The trend of diversification in O'ahu's visitor unit supply is expected to continue in the coming years, as most of the planned future supply additions involve timeshare and condominium hotels.

O‘ahu Lodging Market Performance

- Presented below are hotel operating statistics for the O‘ahu market by class of property. Most of the luxury and upscale hotel inventory are beach front hotels or along Kalākaua Avenue. Budget through midpriced hotels are primarily off-beach hotels and are often smaller and unbranded hotels.

Figure 29 Occupancy

	YE 2009	YTD June 2010
O‘ahu Luxury	75.6%	76.9%
O‘ahu Upscale	71.3%	75.6%
O‘ahu Midprice	68.4%	69.1%
O‘ahu Economy	74.3%	75.1%
O‘ahu Budget	79.5%	80.5%
Waikīkī	74.9%	76.1%
O‘ahu Island	73.3%	75.0%

Source: Smith Travel Research, Hospitality Advisors LLC

Figure 30 Average Daily Rate

	YE 2009	YTD June 2010
O‘ahu Luxury	$202	$196
O‘ahu Upscale	$134	$127
O‘ahu Midprice	$102	$98
O‘ahu Economy	$78	$71
O‘ahu Budget	$68	$64
Waikīkī	$149	$144
O‘ahu Island	$150	$145

Source: Smith Travel Research, Hospitality Advisors LLC

Figure 31 Revenue Per Available Room

	YE 2009	YTD June 2010
O‘ahu Luxury	$153	$150
O‘ahu Upscale	$95	$96
O‘ahu Midprice	$70	$68
O‘ahu Economy	$58	$53
O‘ahu Budget	$54	$52
Waikīkī	$112	$110
O‘ahu Island	$110	$108

Source: Smith Travel Research, Hospitality Advisors LLC

Analysis by Location/District

- This section presents an analysis of O‘ahu’s existing visitor accommodation unit inventory by location and type using snapshots of O‘ahu’s accommodation inventory for the years 1992, 2002, and 2009. Future supply additions will be briefly discussed where appropriate. For the purposes of unit identification, O‘ahu has been divided into seven markets: Waikīkī, Ala Moana, Airport, Other Honolulu, Leeward O‘ahu, North Shore, and Windward O‘ahu.

Primary Urban Center

- There are currently 31,386 units in O‘ahu’s Primary Urban Center (“PUC”), accounting for 92 percent of O‘ahu’s visitor units. The PUC includes Waikīkī, as well as the Ala Moana, Airport and Other Honolulu sub-markets.

Figure 32

AREA	1992 UNITS	2002 UNITS	2009 UNITS
PRIMARY URBAN CENTER	35,512	34,651	31,386

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- The Department of Planning and Permitting (DPP) is estimating a decline in visitor units in the Primary Urban Center (PUC)/East Honolulu area, which consists of Waikīkī, Ala Moana, Airport, and Other Honolulu. By 2035, DPP is forecasting 30,142 visitor units in the PUC and 352 units in East Honolulu, for a total of 30,494 units or 77 percent of O‘ahu’s total visitor unit inventory.

Waikīkī

- Waikīkī had the highest concentration of inventory supply with 28,567 of O‘ahu’s 34,027 units, or 84.0 percent, in 2009. This is down from 32,539 units, or 87.3 percent in 1992. In the Waikīkī area, 81 percent are hotel rooms, 11 percent are condominium hotels, and five percent are timeshare. From 2002 to 2009, Waikīkī’s hotel room count decreased by more than 4,000 rooms, while the number of condominium hotel units and timeshare units increased by approximately 700 units.

Figure 33

Area	Type	1992 Units	2002 Units	2009 Units
Waikīkī/Honolulu	Apartment/ Hotel	115	212	82
	Bed & Breakfast	2		5
	Condominium Hotel	6,853	3,010	3,094
	Hostel	82	153	161
	Hotel	24,846	27,241	23,060
	Individual Vacation Unit	1	106	538
	Timeshare	640	948	1,552
	Other		47	75
	Total	**32,539**	**31,717**	**28,567**

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- Recent new development includes the Trump International Hotel & Tower, which consists of 462 condo hotel units and was completed in 2009. Grand Waikīkīan, a 331-unit timeshare tower in the Hilton Hawaiian Village, was completed in 2008. Hilton also is undergoing planning and permitting to add 550 units in two additional timeshare towers within the Hilton Hawaiian Village, with construction planned to start in 2013.

- The 300-room Marriott Edition Hotel, which was formerly part of the Ilikai hotel, is scheduled to reopen in late 2010.

- Kyo-ya Co. Ltd. has announced plans to redevelop the Princess Ka'iulani Hotel and the Diamond Head Tower of the Moana Surfrider Hotel. Plans include the demolition of two older towers of the Princess Ka'iulani and development of a 210-unit condominium hotel and residential condominium tower. The Diamond Head Wing of the Moana Surfrider is slated for demolition, replaced by a new 185-room hotel and residential tower.

- Waikīkī's visitor room supply is discussed in greater detail in Section IV.

Ala Moana

- The Ala Moana area has 1,586 visitor accommodation units. The majority of these units belong to the 1,086 unit Ala Moana Hotel, which converted from hotel to condominium hotel in 2005. Other units in the area represent economy and budget hotels.

- This area tends to attract kama'āina visitors, inter-island business people, and other business travelers who prefer to be closer to the downtown area. The area is also close to Ala Moana Beach Park and adjacent to the Ala Moana Shopping Center.

- In the past, developers have analyzed the feasibility of new hotels near the Hawai'i Convention Center. To date, none of these proposed hotels have moved forward, but could potentially be revived should convention demand strengthen sufficiently in the future.

Figure 34

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Ala Moana Area	Apartment/ Hotel	85		
	Condominium Hotel	47		1086
	Hostel			26
	Hotel	1574	1628	474
	Other		19	
	Total	**1,706**	**1,647**	**1,586**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

Airport

- The visitor inventory of the Airport area on O'ahu has 719 units, primarily representing three budget hotels. These hotels primarily provide transitional housing to military personnel moving to or from O'ahu, military contractors, local business demand, as well as demand from airport layovers, cancelled flights and airline crews.

Figure 35

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Airport Area	Hostel		20	20
	Hotel	716	701	699
	Total	**716**	**721**	**719**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

Other Honolulu

- The Other Honolulu area encompasses visitor units outside of Waikīkī and Ala Moana, such as the Kāhala Hotel & Resort and approximately 124 units contributed to a hotel pool at the Executive Centre in downtown Honolulu. The Executive Centre Hotel, which converted to condominium hotel in 2002, is the only hotel accommodation in Honolulu's downtown central business district. It serves business travelers and government contractors. The Kāhala Hotel & Resort is located in the exclusive residential Kāhala neighborhood and enjoys a loyal repeat market and upscale FITs. There are currently 514 units in the Other Honolulu area.

Figure 36

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Other Honolulu	Apartment/Hotel			
	Bed & Breakfast	12	8	3
	Condominium Hotel			124
	Hostel	40	40	40
	Hotel	499	513	338
	Individual Vacation Unit		5	2
	Other			7
	Total	**551**	**566**	**514**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

‘Ewa/Wai‘anae

- The Leeward O‘ahu area has 1,761 visitor units. The Leeward area consists of the Maili-Mākaha coastline, the master-planned Ko ‘Olina Resort area, and the Kapolei/’Ewa area.

Figure 37

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Leeward/Mākaha Side	Apartment/ Hotel	81	45	
	Bed & Breakfast			1
	Condominium Hotel	629	78	356
	Hotel	256	387	589
	Individual Vacation Unit	1	52	5
	Timeshare	31	33	810
	Other	12	348	
	Total	**1,010**	**943**	**1,761**

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- The Maili-Mākaha area has sunny weather and beautiful beaches, but is largely residential in character. The area has limited dining and shopping options for visitors. The 173-room Mākaha Resort & Golf Club is the only hotel in this area and is popular among golfers and local business. Its inland location has been considered a drawback, as visitors to Hawai‘i generally prefer proximity to a beach. In recent years, the property has been partially converted to fractional ownership, targeting the long-staying Canadian snow bird market.

- In April 2010 it was announced that the owners of approximately 300 acres in Mākaha Valley, including the Mākaha Valley Country Club (one of two golf courses in Mākaha Valley), would be donated to Kamehameha Schools and the State of Hawai‘i Department of Hawaiian Homelands for development of a learning center and housing for native Hawaiians.

- The donation and planned conversion of the golf course out of recreational use to educational and residential use, the apparent low occupancy of the existing hotel, and the lack of development activity of additional entitled visitor units in Mākaha Valley suggest that demand for accommodations in Mākaha does not at this time support further resort development.

- In contrast to Mākaha, the pace of development within the Ko ‘Olina Resort & Marina has accelerated in recent years. Previously, the JW Marriott Ihilani Resort hotel was the only hotel built in this master-planned resort which originally was envisioned to support six hotels. However, over that past several years, the resort has seen the completion of the Beach Villas at Ko ‘Olina resort condominium project, and the partial completion of

the Marriott Ko ʻOlina Beach Club timeshare property. As part of this project, Marriott plans to continue to add additional timeshare units, for a total of 750 by 2013.

- Disney's Aulani Resort is currently under development and is expected to be completed in late-2011 with 360 hotel rooms and 481 timeshare units. With the arrival of Disney's Aulani, the vision of Ko ʻOlina as a world-class destination resort will move closer to realization. The build-out of additional visitor units on the remaining development parcels is anticipated to occur as market conditions warrant.

- In ʻEwa, the new Hoakalei Resort - the western portion of the new Ocean Pointe residential community - is beginning to take shape. The Ernie Els-designed golf course has opened, dredging is underway on the 600 to 800-slip marina and approximately half of the total project's 5,000 unit master-planned community has been built. Developer Haseko has entitlements to build up to 950 hotel rooms in resort portion. Current plans call for 250 visitor units to be built by 2014, adjacent to the marina.

- The type and mix of visitor units to be built (hotel, timeshare, etc.) has not been determined and will depend on market conditions. Demand for the planned accommodations is expected to be generated by marina users and those visiting friends and family who live in Hoakalei and the surrounding area. While Ko ʻOlina could be described as a destination resort with a marina component, Ocean Pointe/Hoakalei Resort appears to be primarily a master planned residential community and large-scale recreational marina with a hotel component.

- Developer DeBartolo Development LLC has announced plans to build 300 new hotel rooms as part of its proposed Ka Makana Aliʻi shopping center in Kapolei. In early 2009 DeBartolo announced a project completion date in 2013, Hotel demand is expected to come from business and military/government travel, as well as other community-based demand as Kapolei evolves into the "second city" of Oʻahu.

Koʻolauloa/North Shore/Central Oʻahu

- The North Shore of Oʻahu has 736 visitor units. The majority of these are associated with the Turtle Bay Resort and the Inn at Schofield Barracks. The North Shore also has 66 individual vacation units.

Figure 38

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
North Shore	Apartment/ Hotel	5	50	2
	Bed & Breakfast	4		3
	Condominium Hotel			35
	Hostel	50		4
	Hotel	486	684	626
	Individual Vacation Unit	93	27	66
	Other	3	17	
	Total	**641**	**778**	**736**

Source: State of Hawai‘i DBEDT, Hawai‘i Tourism Authority

- Expansion of the Turtle Bay Resort has been stalled for many years and faces additional challenges. The original EIS was approved in 1985 and allowed for an additional 2,500 hotel rooms and 1,000 condominium units for future development. In 2010, the Hawai‘i State Supreme Court ruled that a new EIS will need to be completed, and future plans currently remain uncertain.

    - Turtle Bay’s remote location and climate are considered to be major challenges for development at the resort, including the ability of the resort to compete effectively against Neighbor Island resorts which generally have more favorable location and weather dynamics.

- The 49-room Lā‘ie Inn was demolished in early-2010, with plans to develop a 220-room hotel in its place. Construction is expected to start in 2011, and would serve the BYUH campus, Polynesian Cultural Center, and other North Shore visitors.

- Castle & Cooke has announced plans to include a 150-room hotel as part of its proposed 3,500 home Koa Ridge community in Central O‘ahu. The planned hotel is envisioned to serve demand from the surrounding residential communities, as well as demand generated by Schofield Barracks and other area military facilities.

- DPP is forecasting visitor units for this area to more than double by 2035. Visitor unit inventory is expected to increase to 1,630 or 4 percent of O‘ahu’s total visitor units.

<u>Ko‘olaupoko</u>

- The Ko‘olaupoko district had a reported total of 144 visitor units in 2009, compared with 85 in 2002. All but ten of these units are either B&B or IVUs. It should be noted that that the official census of B&Bs and IVUs may be understated. Because the data are self-reported in the property census conducted for the annual State of Hawai‘i Visitor Accommodations Inventory, it is possible that some operators are no longer participating

in the survey, or are under-reporting units due to concerns about the legal status of their operations.

Figure 39

AREA	TYPE	1992 UNITS	2002 UNITS	2009 UNITS
Windward Side	Apartment/ Hotel	17		9
	Bed & Breakfast	20	20	93
	Condominium Hotel	1		
	Hotel	55	24	
	Individual Vacation Unit	18	38	42
	Other	5	3	
	Total	**116**	**85**	**144**

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

- The launch of websites, such as Vacation Rentals by Owner ("VRBO"), has made it easier and less expensive for operators of B&B and IVUs to market their properties globally. The VRBO website listed 59 different available vacation rental properties in the residential neighborhood of Lanikai alone during a recent review of the site.

- Unlike the bed and breakfast industry on the Big Island and Kaua'i, the industry on O'ahu appears more fragmented with respect to representation by an authoritative association body or advocacy group.

Bed & Breakfast/IVU Submarket

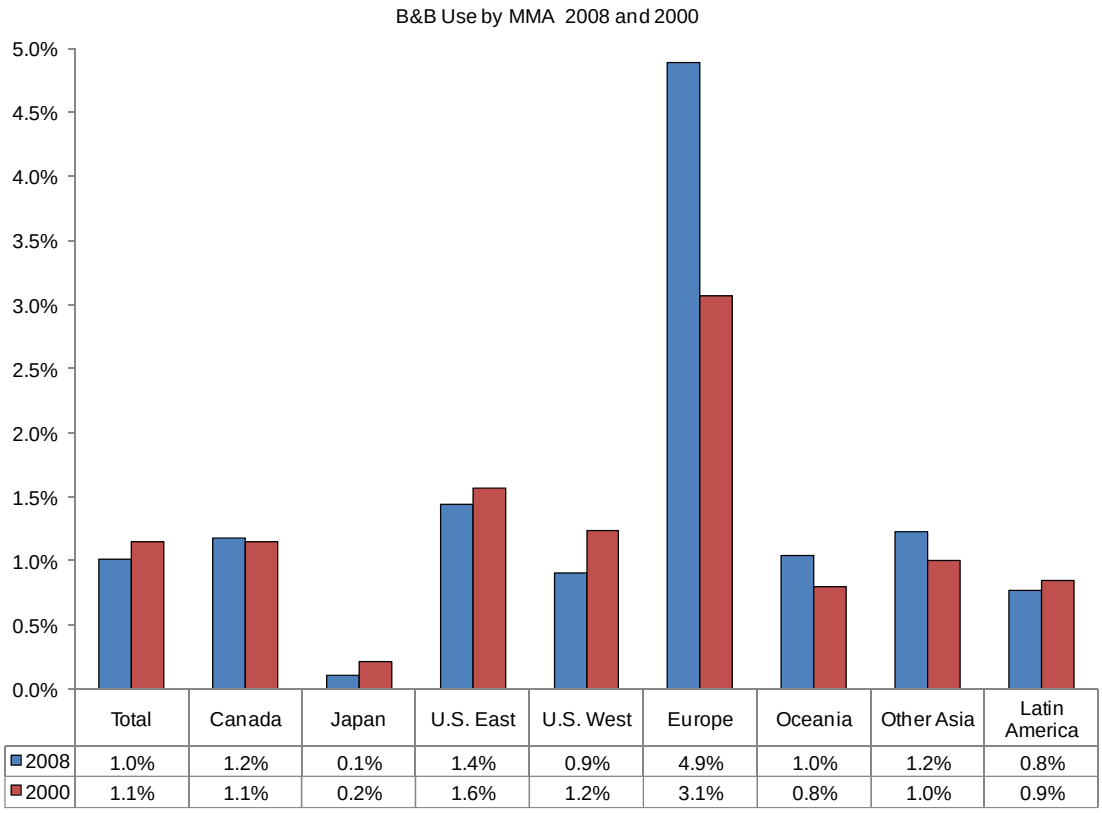
- The Hawai'i Tourism Authority defines Individual Vacation Units (IVUs) and Bed & Breakfast (B&B) accommodations as follows:
  - Individual Vacation Unit (IVU): An individual condominium unit (not in a hotel rental operation), house, cabin, villa or cottage with very limited service, often with only basic cleaning supplies provided.
  - Bed & Breakfast (B&B): A lodging facility with a limited number of guest units, which include breakfast in the daily rental rate. Typical bed and breakfast facilities are either small, quaint inns or family homes.

- B&Bs appeal to a more adventurous traveler interested in small scale accommodations within the community. IVUs range from condominiums in Waikīkī to single family vacation rentals located in residential neighborhoods around the island. IVUs are attractive as they appeal to families that prefer full kitchen facilities and room accommodations suitable for large party size.

- With its residential neighborhoods and miles of white sandy beach, the Windward side of O'ahu accounts for the vast majority of B&Bs. In 2009, 93 of the island's reported 105 units, or 89 percent, were located in Windward O'ahu. Reported B&B units on the

Windward side increased four-fold between 2002 to 2009; however, the count is likely understated due to the self-reporting nature of the data.

Figure 40

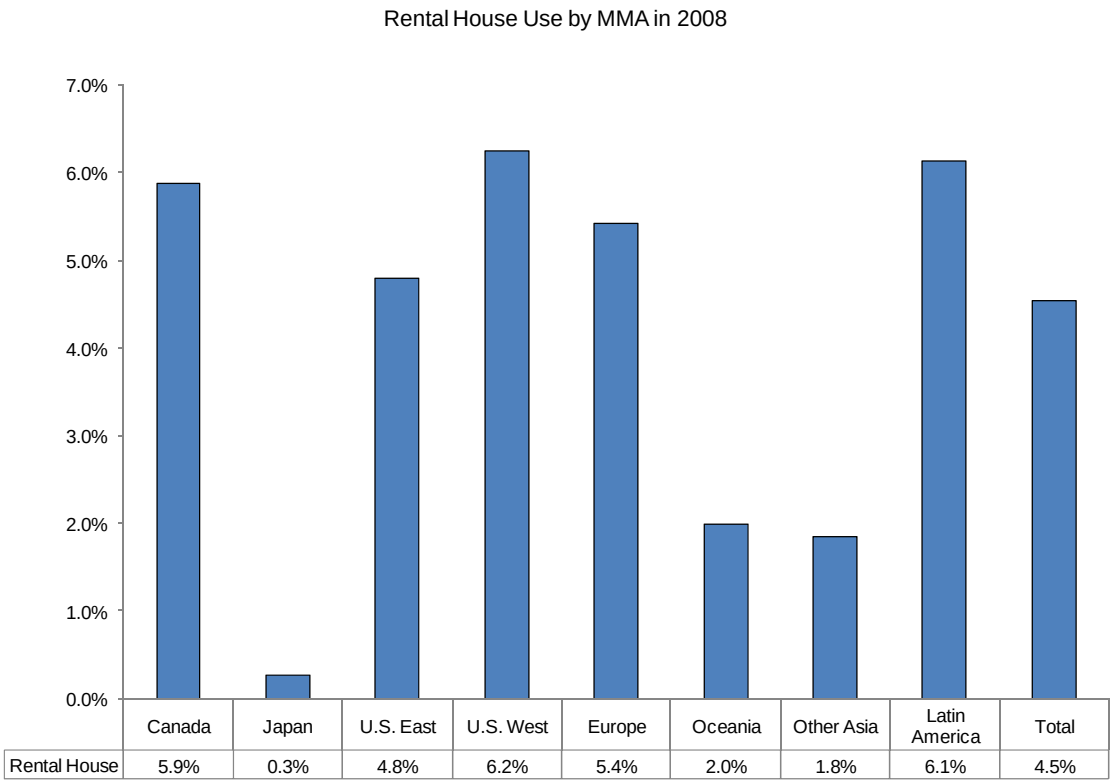


	Total	Canada	Japan	U.S. East	U.S. West	Europe	Oceania	Other Asia	Latin America
2008	1.0%	1.2%	0.1%	1.4%	0.9%	4.9%	1.0%	1.2%	0.8%
2000	1.1%	1.1%	0.2%	1.6%	1.2%	3.1%	0.8%	1.0%	0.9%

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority, Year 2009 data not available

- Europeans, by far, have the highest preference for B&Bs and IVUs with 4.9 percent of visitors staying in a B&B and 5.4 percent staying in a rental house during 2008. The U.S. West and Canadian markets had the next highest preference for these types of accommodations.

Figure 41



	Canada	Japan	U.S. East	U.S. West	Europe	Oceania	Other Asia	Latin America	Total
Rental House	5.9%	0.3%	4.8%	6.2%	5.4%	2.0%	1.8%	6.1%	4.5%

Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority, Year 2000 and Year 2009 data not available

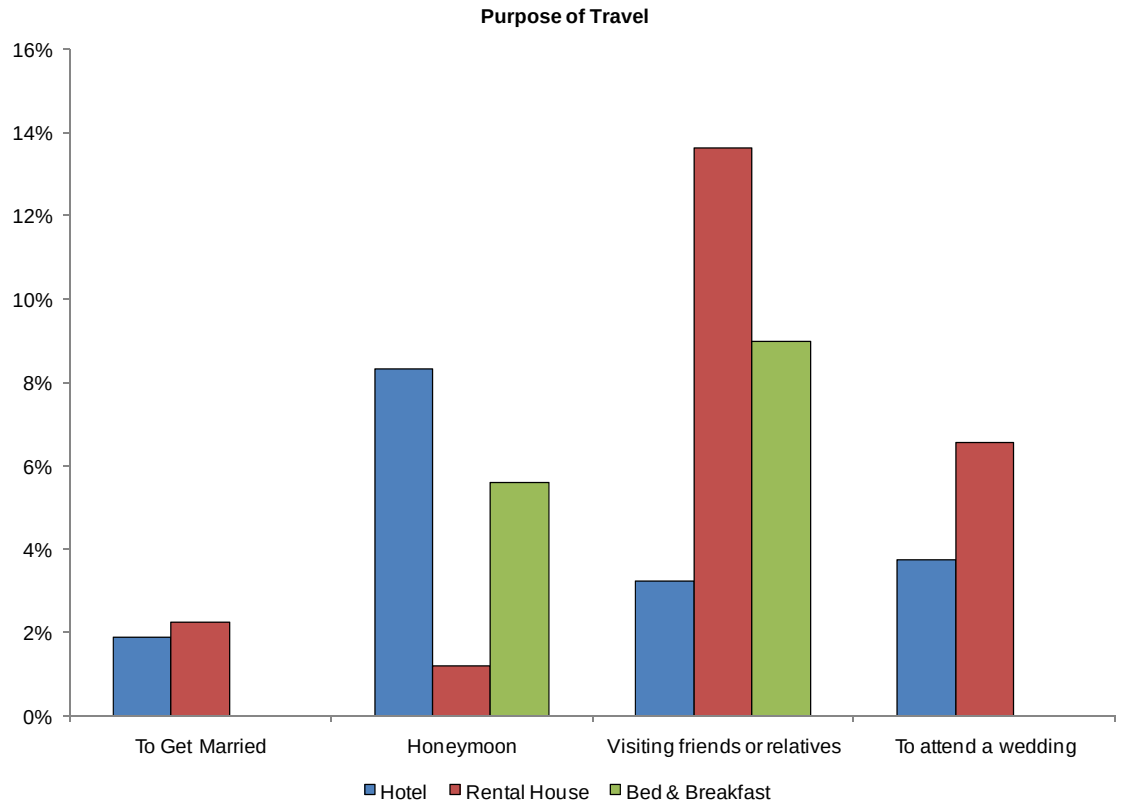
- B&Bs and IVUs can appeal to value-oriented visitors. For example, the average room rate for a Waikīkī hotel approximates $150.00. For the same rate however, a visitor could alternatively rent a one-bedroom detached cottage near Kailua Beach.

- Visitors that stay in rental vacation homes have the longest length of stay of 13.93 days in 2009, compared with 6.45 days for visitors staying in hotels. Rental visitors had relatively low per person per day spending of $110.70, and a larger party size of 4.32 persons. B&B visitors had a shorter length of stay of 6.98 days. B&B visitors had a higher per person per day spending of $169.80, but have a smaller average party size of 2.43.

- The majority of rental house visitors are repeat visitors at 58.1 percent, while B&Bs attract more first-time visitors at 56.7 percent. Rental house and B&B visitors are much more likely to be independent travelers than hotel users, with 84.5 percent of rental house visitors and 69.2 percent of B&B travelers traveling independently, compared with 36.3 percent of hotel visitors.

- Rental house and B&B visitors are more likely to be visiting friends or relatives than are hotel visitors.

Figure 42



Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

- In recent years, the increase in B&Bs/IVUs has created controversy in local communities. Some residents of neighborhoods with a high proportion of B&Bs/IVUs are opposed to such units, citing noise, congestion, parking issues, and loss of residential neighborhood character. Others voice concern regarding the potential impact on property values. Supporters of B&Bs/IVUs maintain that such accommodations are simply responding to demand, and that the B&B industry contributes to the local economy. Amid much controversy, a bill proposing to lift the ban of new B&Bs failed to pass in late-2009.

Section IV: Analyses of Selected O‘ahu Lodging Market Topics

Waikīkī Life Cycle Analysis

- Waikīkī continues to be the primary visitor destination in the state and on O‘ahu. Waikīkī’s viability is, therefore, critical to the success of Hawai‘i’s tourism industry. Various models of resort destination life cycles have been posited based on observations of resort destinations around the world. One of the most widely-cited of these models was proposed by Butler (Canadian Geographer, 1980), which describes six phases of resort evolution, briefly described as follows:

1. **Exploration:** an isolated and attractive beach with no hotels or tourism infrastructure is ‘discovered’ by adventurous travelers.
2. **Involvement:** The first hotels and other tourism infrastructure are built.
3. **Development:** More hotels are built. Additional housing is also built to accommodate the destination’s workforce. Food is imported, as the area can no longer produce enough for the growing numbers of tourists and residents.
4. **Consolidation:** Larger high rise hotels farther from the beach are built. Residential areas continue to grow. Much of the economy is now tourism-related. The growth rate of the number of visitors starts to slow.
5. **Stagnation:** The destination has become urbanized, altering and degrading the environment that had made it appealing to the early, adventurous travelers. Although the destination is well-known, existing hotels could start to become less valuable.
6. **Post-Stagnation:** The destination either declines or is rejuvenated.

- Based on the above, we have prepared a market profile regarding the life cycle of Waikīkī below.

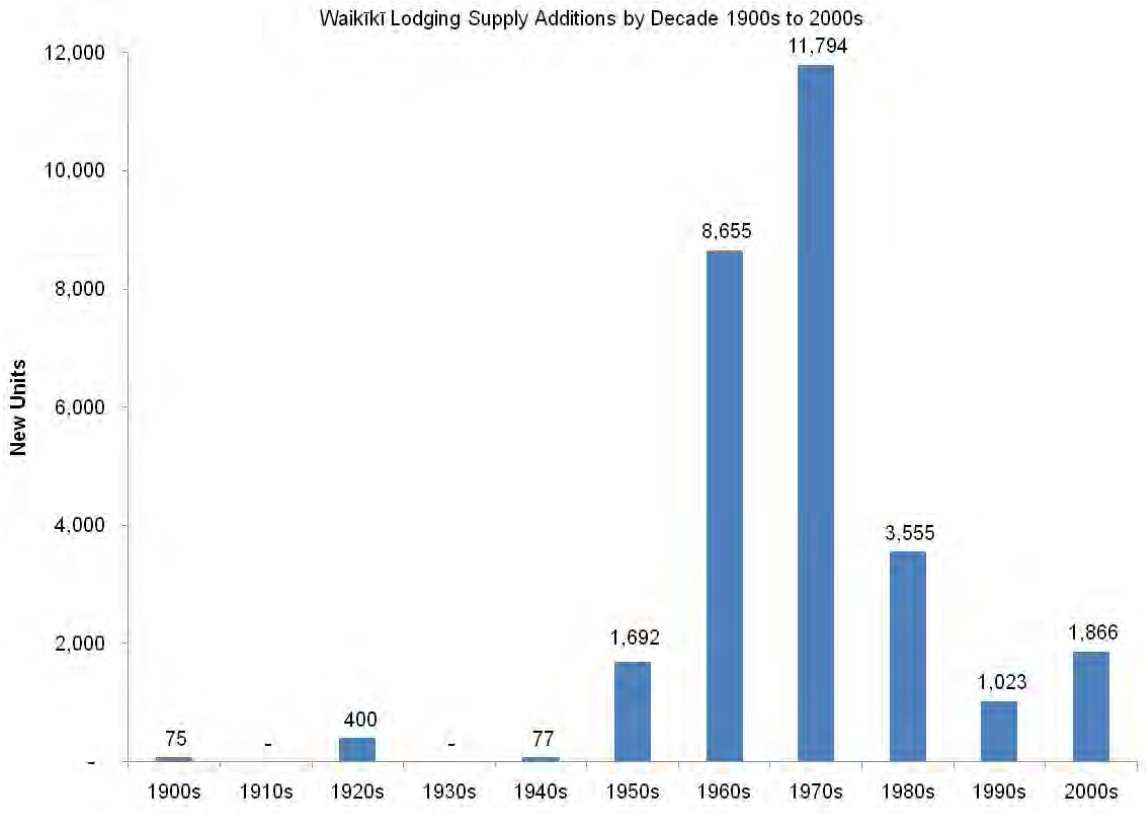
Aging Visitor Plant

- The construction of new visitor rooms in Waikīkī peaked in the 1960s and 1970s, as outlined on the chart below. According to data from the Visitor Plant Inventory, 8,655 new rooms were added during the 1960s and 11,794 rooms were built during the 1970s, comprising the majority of the rooms in Waikīkī.

- New construction fell to 3,555 units during the 1980s, with 1,023 units built in the 1990s. Although 1,866 new rooms were added during the past ten years it should be noted that 616 of these ‘new’ units were redevelopment of hotels constructed during in the 1950s and 1970s. These redeveloped hotels include the Embassy Suites Beach Walk and the Wyndham at Waikīkī Beach Walk timeshare resorts.

- As most of the inventory in Waikīkī is between 30 and 50 years old, a number of challenges arise. Consumer expectations of hotel rooms have evolved over time and a number of such older rooms no longer meet visitors’ expectations. The guestrooms in many of the Waikīkī hotels built during the 1950s and 1960s tend to be smaller than current standards.

Figure 43



Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority, Hospitality Advisors LLC
Note: Of the 1,866 units added during the 2000s, 616 were conversions of hotels built in the 1970s (former OHANA Waikīkī Village and Waikīkī Tower, now Embassy Suites at Beach Walk) and 1950's (former OHANA Reef Towers, now Wyndham at Waikīkī Beach Walk).

Reinvestment

- The map on the following page illustrates the re-investment in Waikīkī hotels and retail projects that have taken place over the past ten years, as well as planned and likely projects that will likely be undertaken during the coming five years. As can be seen on the map, substantial reinvestment has been made in many of Waikīkī's major properties.

- Between 2000 and 2010, an estimated $2.85 billion in private investment has been made in Waikīkī's hotel and retail properties. Total budgets for selected projects planned for the period 2011 to 2015 raises the value of improvements to approximately $3.59 billion for the 15 year period.

Figure 44 Estimated Waikīkī Hotel & Retail Investment 2000 to 2010, and 2011 to 2015 Planned

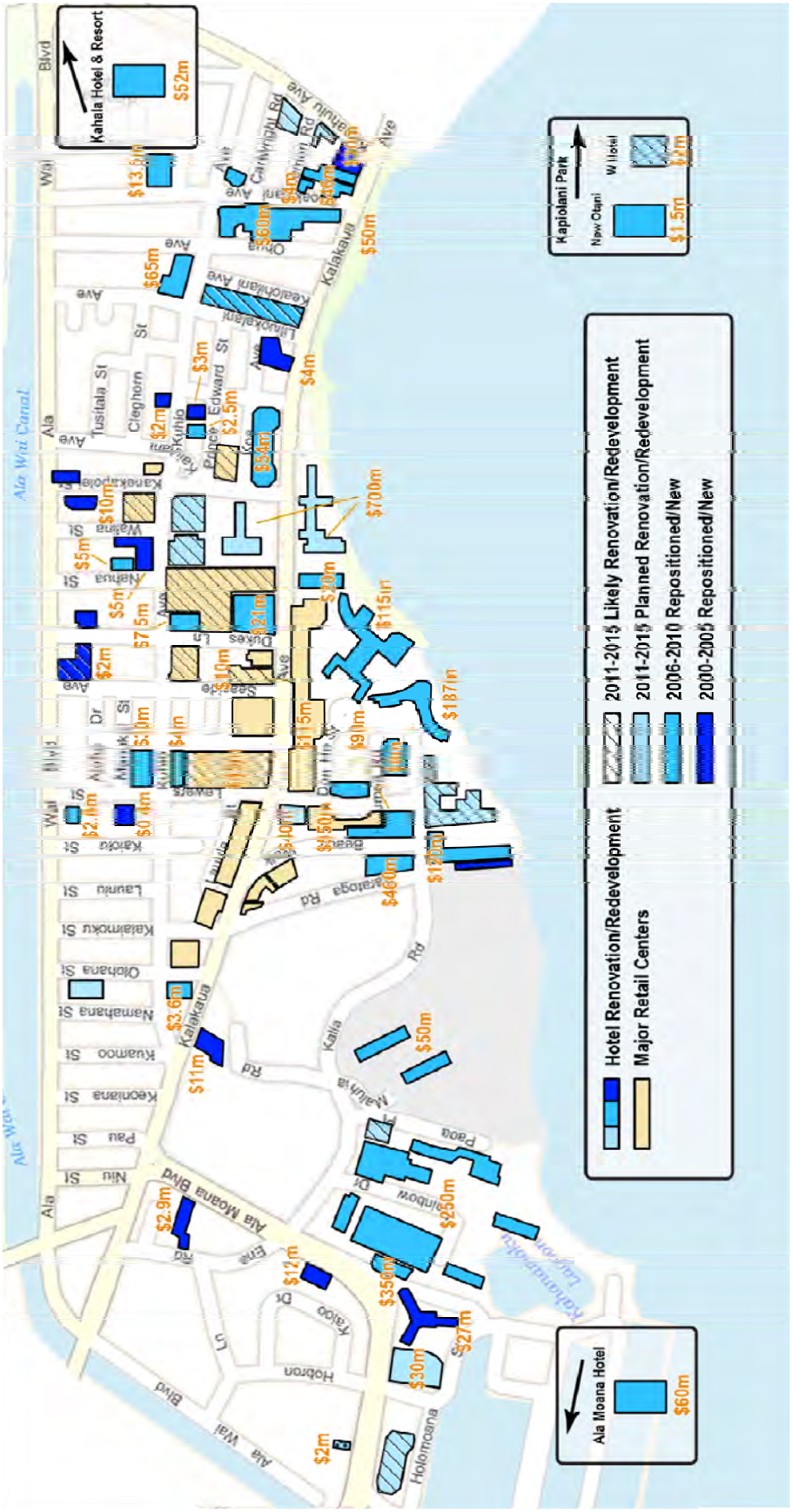
Periods	Hotel	Retail	Total
2000 to 2005	$119,325,000	$150,000,000	$269,325,000
2006 to 2010	$1,850,580,000	$733,000,000	$2,583,580,000
2011 to 2015 Planned	$740,000,000	$0	$740,000,000
Total	**$2,709,905,000**	**$883,000,000**	**$3,592,905,000**

Source: Hospitality Advisors LLC

- Hotels continue to be the dominant form of visitor accommodations on O‘ahu, although there has been recent investment in Waikīkī in timeshare and condo-hotel construction and conversion. The chart below illustrates the change in the hotel room count in Waikīkī between 2000 and 2009, as well as the corresponding increase in timeshare and condo-hotel units.

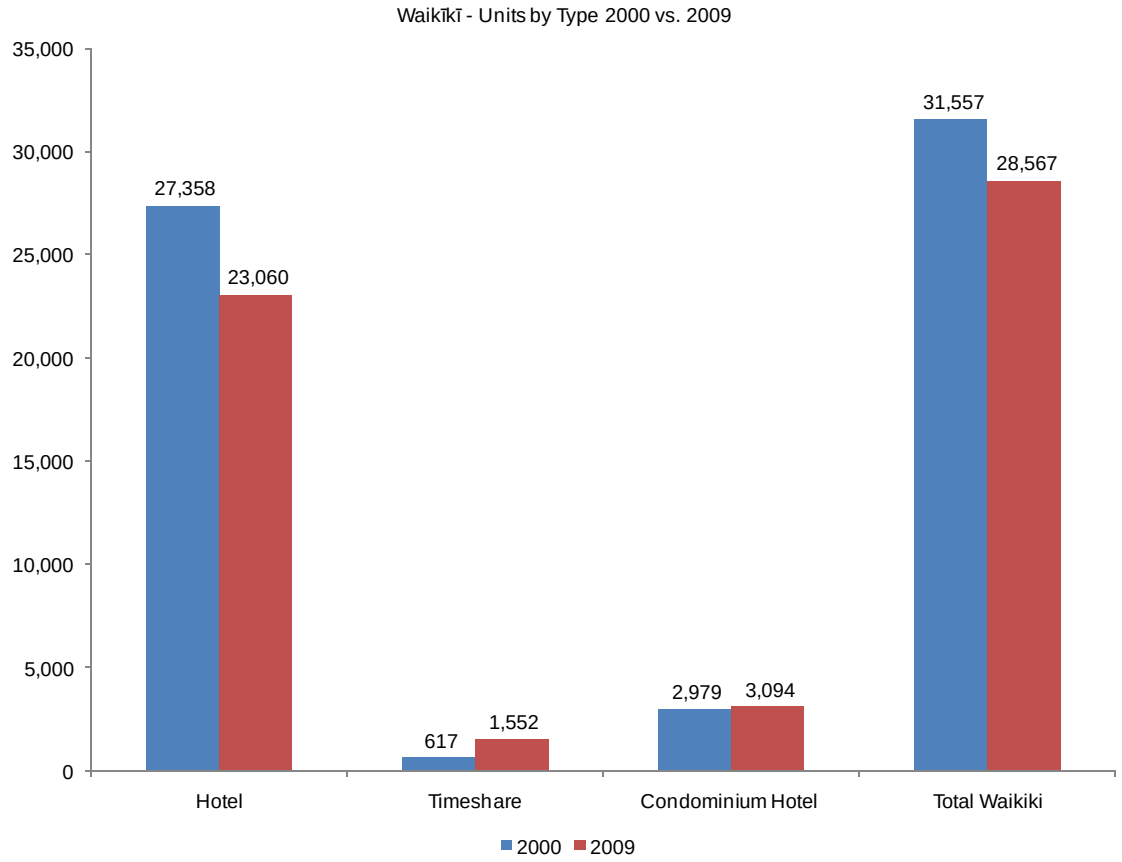
- The second chart on the following page provides examples of recent projects that have resulted in lower hotel room counts in Waikīkī.

Figure 45



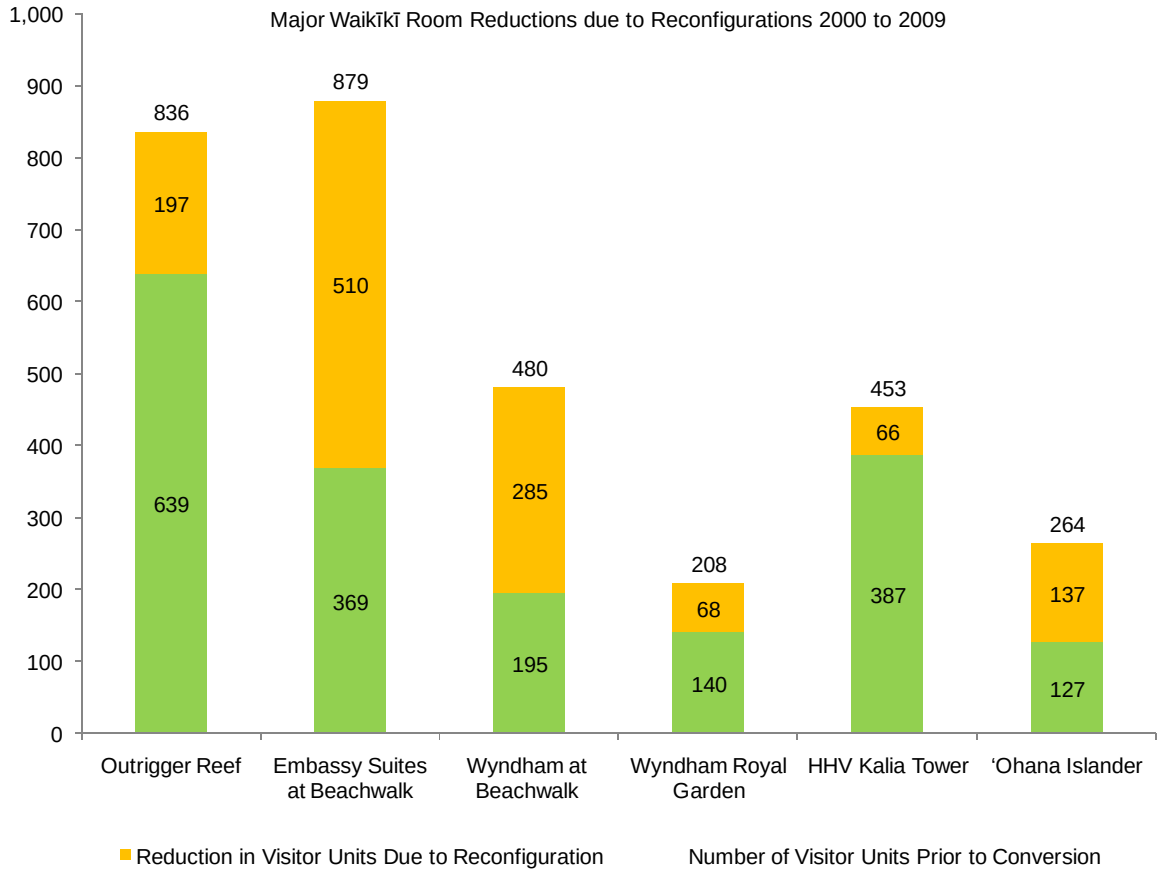
Source: Hospitality Advisors

Figure 46



Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority

Figure 47



Source: Hospitality Advisors LLC

- The current wave and scale of investment in Waikīkī indicates that it is in the midst of rejuvenation that has substantially extended its life cycle. The new and redeveloped physical product of Waikīkī has positioned the destination to better meet the market demands over the medium term.

Potential for New Waikīkī Units

Future Potential New Development and Conversion Sites

An analysis conducted by staff of the Department of Planning and Permitting of the City & County indicates that approximately 1,000 new units in Waikīkī are possible based on existing zoning. Additional hotel development would likely require zoning changes or variances.

- The most likely sites are believed to include the Beach Walk area, the vicinity *mauka* of the Hyatt Regency Waikīkī and the Kealohilani/Ohua block.

- The Beach Walk area *mauka* of Trump Tower between Saratoga Road and Beach Walk includes sites currently occupied by small walk up hotels and apartment buildings built in the 1940s, 1950s and 1960s. The potential development site consists of a number of parcels in the 5,000 square foot range, some leasehold, belonging to several different owners. Although off-beach, the location across the street from Ft. DeRussy would afford ocean views from units in a future high rise. In addition, the potential for future development has likely been enhanced by completion of Trump Tower.

- The area between Ka‘iulani Avenue and Uluniu Avenue, near the Hyatt Regency Waikīkī, is currently improved with mostly low-rise buildings, including apartments and hostel units. Because of its proximity to the beach and potential for viewplanes between the two towers of the Hyatt Regency, it could offer an opportunity for a developer to consolidate smaller lots into a larger development site.

- The block between Kealohilani and Ohua Avenues, including the St. Augustine Church site and its small amount of frontage on Kalākaua Avenue, also has future development potential. With unobstructed ocean views and a Kalākaua St. address, this is considered a prime future development site, should the Catholic Church reconsider its earlier decision not to sell its portion of the block.

- Two smaller areas with Resort Mixed Use zoning also have at least some redevelopment potential. One is just east of Uluniu Avenue, along Prince Edward Street; the other is midblock on both sides of Cartwright Road.

O‘ahu’s Tourism Carrying Capacity

- With a limited amount of land and a tourism-based economy, O‘ahu’s tourism carrying capacity is a critical issue. There is, however, no objective, definitive answer to the question of how many visitors O‘ahu can or should accommodate.

- Most recently, the State of Hawai‘i Department of Business, Economic Development & Tourism (“DBEDT”), along with the State of Hawai‘i Office of Planning and the Hawai‘i Tourism Authority, studied the issue in “Planning for Sustainable Tourism,” a multi-year project that concluded in 2006. Among other findings, this study concluded that the major private sector constraint on O‘ahu’s visitor industry was, “an impending shortage of hotel rooms.”

- Alternate projections of Waikīkī occupancy that take into account the dynamic nature of the variables involved, including length of stay and Waikīkī hotels decreasing share of O‘ahu’s transient room night demand, show occupancy in Waikīkī stabilizing in the mid-to-high 80 percent rate.

- If visitor arrivals continue to increase at some rate, as projected by DBEDT, and the supply of visitor rooms does not keep pace, market occupancy will increase. Under this scenario, at a certain point Waikīkī hotels will start seeing more sold-out, 100 percent

occupancy during peak periods. Operators can be expected to respond to these market conditions by increasing room rates, to maximize revenues.

- Hospitality Advisors prepared an overview room demand model that takes into account DBEDT projections for visitor arrivals and growth rates, visitors' average length of stay, known future additions to supply, and Waikīkī's share of O'ahu's hotel room supply.

- Our model forecasts annual occupancies for Waikīkī hotels to exceed 90 percent in 2027. A more aggressive forecast approach shows occupancies exceeding 90 percent in 2019. Although demand does not exceed supply on an annual basis in these forecasted scenarios, there will many peak days and periods when hotels are sold-out or become prohibitively expensive, the impact of which would need to be considered in future planning.

- The current policy of the HTA focuses on visitor spending as the key metric for Hawai'i tourism. During the growth phase of Hawai'i's visitor industry, goals were defined in terms of visitor arrivals or visitor days. In recognition of the growth constraints that are inherent to being an island state, the focus has shifted to managing the yield from tourism, in form of visitor spending, rather than the number of 'bodies.'

- The issue of hotel capacity is complex and dynamic. A formal analysis and projection of hotel capacity is well beyond the scope of the current assignment. Therefore, our model and analysis presented here is overview in nature and is intended to provide a basis for general discussion only, and are not to be relied upon for any other purpose.

- Several developers have considered plans for small inns or alternative lodging products outside of designated resort areas. However, high development costs, unfavorable economics of small lodging facilities, and community opposition represent challenges for such developers. Nonetheless, demand for such products appear to be growing as visitors increasingly seek alternative and low density accommodations.

Resort Accommodations versus Community-Based Accommodations

- As discussed previously, the increase of community-based visitor accommodations in the form of B&Bs and IVUs has emerged as a contentious issue in some communities on O'ahu. The policy has been for visitor accommodations to be confined to designated areas, including Waikīkī, downtown, the Honolulu International Airport and other designated resort areas around the island. The growth in B&Bs and IVUs in neighborhoods such as Kailua and the North Shore shows that demand exists for visitor units outside of the previously-designated resort areas, but there is an absence of data to determine the impact of this industry segment.

- The proposed hotels in Kapolei and Koa Ridge (and to a lesser extent the primarily residential community of Hoakalei) reflect interest in including hotel accommodations as part of the commercial component of residential communities. The proposed Courtyard by Marriott in Lā'ie is an example of a community-based hotel that is envisioned to

primarily serve demand generated by the nearby BYUH campus, the Mormon Temple, and friends and family visiting area residents. The adjacent Polynesian Cultural Center is also expected to generate some leisure demand for the hotel but is not expected to be its primary demand generator. Currently, transient demand generated by BYUH, the Mormon Temple and the Lā‘ie resident population is accommodated either in private homes or the resort hotel at Turtle Bay, which is approximately seven miles away.

- The carrying capacity of O‘ahu’s tourism industry will likely continue to be a complex and critical issue for the residents of O‘ahu. In the past, mechanisms such as the Waikīkī room cap and the policy of confining hotels to designated areas around the island were employed to prevent unbridled hotel development around the island.

- The debate over O‘ahu’s tourism carrying capacity has shifted. Previously, the debate focused on how many hotel rooms should be allowed in Waikīkī and the designated resort areas. For Windward residents, the issue currently centers on the emergence of growing numbers of visitor units in their community, in the form of B&Bs and IVUs.

Impact of Rail Transit on Tourism

Rapid Transit EIS

- As observed earlier in this report, O‘ahu’s average daily visitor census is more than 81,000, which pushes the *de facto* population of O‘ahu close to the 1 million mark. Visitors therefore are expected to be major users of O‘ahu’s transportation infrastructure.

- According to the Final EIS for the Honolulu High-Capacity Transit Corridor Project, trips by visitors are projected to total 430,700 daily trips (Daily trips includes all modes of transportation, including private vehicle, public transit, taxi, bicycle, walking and tour bus) by 2030 if the project is not built. This would represent approximately 10.7 percent of all daily trips. Under the three rail alignment alternatives considered, total daily trips by visitors were estimated to be between 431,200 and 431,400.

Figure 48 Islandwide Mode Shares – 2030 No Build and Build Alternatives

Trip Type	2030 No Build Alternative		2030 Project	
	Number	Percent	Number	Percent
Trips by Residents				
Automobile – private	2,815,800	81.5%	2,767,600	80.1%
Transit	205,400	5.9%	255,500	7.4%
Bicycle and walk	432,800	12.5%	431,700	12.5%
Total Trips by Residents	**3,454,000**	**100%**	**3,454,800**	**100%**
Trips by Visitors				
Automobile – private	160,100	37.2%	157,800	36.6%
Transit	19,700	4.7%	23,500	5.5%
Taxi	9,700	2.3%	9,600	2.2%
Bicycle and walk	163,600	38.0%	163,600	38.0%
Tour Bus	77,500	18.0%	76,200	18.7%
Total Trips by Visitors	**430,600**	**100%**	**430,600**	**100%**
Ground Access Trips by Air Passengers				
Automobile – private	27,500	26.5%	26,800	25.8%
Transit	1,200	1.2%	3,500	3.4%
Taxi	16,400	15.8%	15,800	15.2%
Bicycle and walk	20,800	20.0%	20,800	20.0%
Tour Bus	38,000	36.6%	37,000	35.6%
Total Trips by Air Passengers	**103,900**	**100%**	**103,900**	**100%%**
All Daily Trips				
Total daily automobile trips - private	3,003,400	75.3%	2,952,200	74.0%
Total daily transit trips	226,300	5.7%	282,500	7.1%
Total daily bicycle and walking trips	596,400	15.0%	595,300	14.9%
Total daily trips – other modes	162,400	4.1%	159,300	4.0%
Total Daily Trips (All)	**3,988,500**	**100%**	**3,989,300**	**100%**

Source: Honolulu High-Capacity Transit Corridor Project Final EIS

- According to the EIS, five percent of visitors' daily trips were taken on public transit in 2007, compared with six percent of total daily trips for residents. Visitors are less likely to make trips by private automobile than residents (32 percent of trips and 82 percent of trips, respectively) and more likely to travel by walking or bicycle than residents (45 percent versus 12 percent for residents. In addition, about 15 percent of visitors' daily trips were estimated to be taken by tour bus.

Figure 49 Islandwide Person Trips by Trip Purpose - 2007

	Daily Person Trips	Percentage of Total Daily Trips
Trips by Residents		
To and from work	933,000	28.6%
While at work	173,300	5.3%
To and from school/university	288,200	8.8%
To and from shopping/other	995,000	30.5%
Do not end at work or home	401,800	12.3%
Total Trips by Residents	**2,791,300**	**85.6%**
Other Trips		
Trips by truck	44,700	1.4%
Ground access trips by air passengers	60,000	1.8%
Trips by visitors	364,400	11.2%
Total Daily Trips (All)	**3,260,400**	**100%**

Source: Honolulu High-Capacity Transit Corridor Project Final EIS
Numbers are rounded to nearest hundred.

Figure 50 Daily Trips by Mode – 2007

	Daily Trips by Mode	Percentage of Total Daily Trips
Residents		
Automobile – private	2,291,800	82%
Transit	166,400	6%
Bicycle and walk	333,000	12%
Total Daily Trips by Residents	**2,791,200**	**100%**
Visitors		
Automobile – private	116,400	32%
Transit	17,600	5%
Bicycle and walk	165,100	45%
Taxi	9,300	3%
Tour Bus	56,000	15%
Total Daily Trips by Visitors	**364,400**	**100%**

Source: Honolulu High-Capacity Transit Corridor Project Final EIS
Numbers are rounded to nearest hundred.

Proposed Rail Line and Tourism

We analyzed the proposed rail transit alignment with respect to tourism by considering visitor accommodations and potential visitor destinations within walking distance of the proposed line. The findings are presented in the map and tables on the following pages. Although the ultimate impact of the proposed rail system on tourism will depend on the location of the station, we have identified possible impacts on visitors' transportation options as follows:

- **Transportation to and from the Airport:** The rail transit system is currently envisioned to have a station serving Honolulu International Airport ("HNL"). There are several hotels within walking distance of proposed transit stations, including the Aston Executive Center Hotel in Downtown Honolulu and the Ala Moana Hotel. There is a planned future extension into Waikīkī, which would connect Waikīkī's 28,000 plus visitor rooms with HNL. The proposed first phase will end at Ala Moana Shopping Center. At present, there are several municipal bus routes connecting Ala Moana Shopping Center with Waikīkī's hotels. Current policies, however, do not permit large suitcases on TheBus. The Ko 'Olina Resort, which is expected to have approximately 2,405 visitor units at the time the initial phase of the system is operational, is located approximately seven miles from the western end of the proposed rail transit line. Some sort of resort shuttle service could be provided to link the resort and the Kapolei rail station.

- **Transportation to Visitor Attractions:** There are a number of major visitor destinations that will be served by nearby rail transit stations, including:

  - The Arizona Memorial (World War II Valor in the Pacific National Monument in Pearl Harbor), the most popular visitor attraction on the island, with over one million visitors each year.
  - Aloha Stadium, which hosts major sporting events such as the Pro Bowl, and the popular Swap Meet.
  - Downtown Honolulu/Honolulu Civic Center, which is near visitor attractions such as the Mission Houses Museum and Kawaihao Church, 'Iolani Palace, the statue of King Kamehameha and Aloha Tower, where a number of dinner cruises embark.
  - Kaka'ako, which is within walking distance of Ward Warehouse, Ward Center and Kewalo Basin, which is the embarkation point for a number of tour boats.
  - Kapolei, which as previously discussed is seven miles from the end of the rail transit line, is similarly located to two popular commercial lū'au grounds, Germaine's and Paradise Cove.

- The proposed rail transit system will provide an alternate means of transportation for visitors making trips to destinations near transit stations, including the popular World War II Valor in the Pacific National Monument in Pearl Harbor. The proposed rail transit system will also benefit residents who work in Waikīkī and live in areas served by the transit line.

- We have not performed a detailed analysis of the expected impact of the proposed rail transit system on O'ahu tourism, as defined in the project's EIS. Our overview analysis indicates that the proposed system will provide a new option to visitors seeking transportation to certain popular destinations, but will not likely represent a significant tourism driver for the island. We do not expect the proposed rail transit system to have a meaningful impact, positive or negative, on the decision-making process of potential visitors choosing a vacation destination.

Figure 51

1. Ko Olina Resort (1,230 current lodging units; 2,405 units by 2018)
2. Paradise Cove Luau
3. Germaine's Luau
4. Wet 'n' Wild Hawaii
5. Hoakalei Resort at Ocean Pointe
15. OHANA Airport Hotel
16. Best Western Plaza Hotel
17. The Shower Tree Hostel
18. Pacific Marina Inn
19. Various helicopter tour operators

Source: Google Maps, State of Hawaii Visitor Plant Inventory