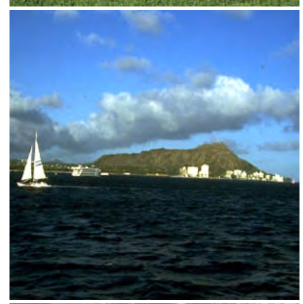
# Visitor Industry Analysis
# City & County of Honolulu
# General Plan Update



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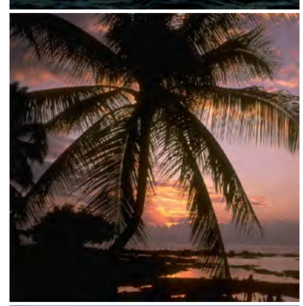
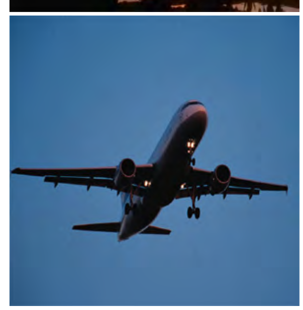


## September 7, 2010



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# Table of Contents

Introduction ... 1
  Background and Objectives ... 1
Executive Summary ... 2
Section I: State of Hawai‘i Visitor Market Overview ... 4
  Introduction ... 5
  Overview of the Hawai‘i Visitor Industry ... 5
  Historical Visitor Arrivals to the State ... 8
  Air Seat Capacity ... 12
  Visitor Expenditures ... 14
  State of Hawai‘i Visitor Demographics ... 16
    U.S West ... 16
    U.S. East ... 18
    Japan ... 20
    Canada ... 21
    First Time versus Repeat Visitors ... 22
  Hawai‘i Hotel Performance ... 24
  Visitor Accommodation Unit Inventory – State of Hawai‘i ... 26
Section II: O‘ahu Visitor Market Overview ... 30
  Introduction ... 31
  Summary of Highlights ... 31
    Visitor Arrivals ... 31
    Average Daily Visitor Census ... 32
  Visitor Demographics ... 34
    Domestic ... 34
    International ... 35
    Length of Stay ... 36
    Islands Visited ... 37
  Primary Visitor Trends ... 37
Section III: O‘ahu Lodging Market Overview ... 39
  Introduction ... 40
  Summary Highlights ... 40
  O‘ahu Lodging Overview ... 40
    Visitor Accommodation Types ... 42
    O‘ahu Lodging Market Performance ... 43
  Analysis by Location/District ... 43
    Primary Urban Center ... 44
    Waikīkī ... 44
    Ala Moana ... 45
    Airport ... 46
    Other Honolulu ... 46
    ‘Ewa/Wai‘anae ... 47
    Ko‘olauloa/North Shore/Central O‘ahu ... 48

Koʻolaupoko ........ 49
Bed & Breakfast/IVU Submarket ........ 50

Section IV: Analyses of Selected Oʻahu Lodging Market Topics ........ 54
Waikīkī Life Cycle Analysis ........ 55
Aging Visitor Plant ........ 55
Reinvestment ........ 56
Potential for New Waikīkī Units ........ 60
Future Potential New Development and Conversion Sites ........ 60
Oʻahu's Tourism Carrying Capacity ........ 61
Resort Accommodations versus Community-Based Accommodations ........ 62
Impact of Rail Transit on Tourism ........ 63
Rapid Transit EIS ........ 63
Proposed Rail Line and Tourism ........ 65

# 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 O‘ahu, 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 O‘ahu.

As tourism continues to be the largest industry on the Island of O‘ahu, 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 Hawai‘i State and O‘ahu 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 O‘ahu lodging markets.  This section will provide historical context and current perspective on O‘ahu 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, O‘ahu'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:

- Hawaiʻi 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 Hawaiʻi increased dramatically, from 380,000 Japanese visitors in 1983 to over 1.4 million Japanese visitors in 1990.
- Japanese investment into Hawaiʻi 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 Hawaiʻi, 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 Hawaiʻi 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*

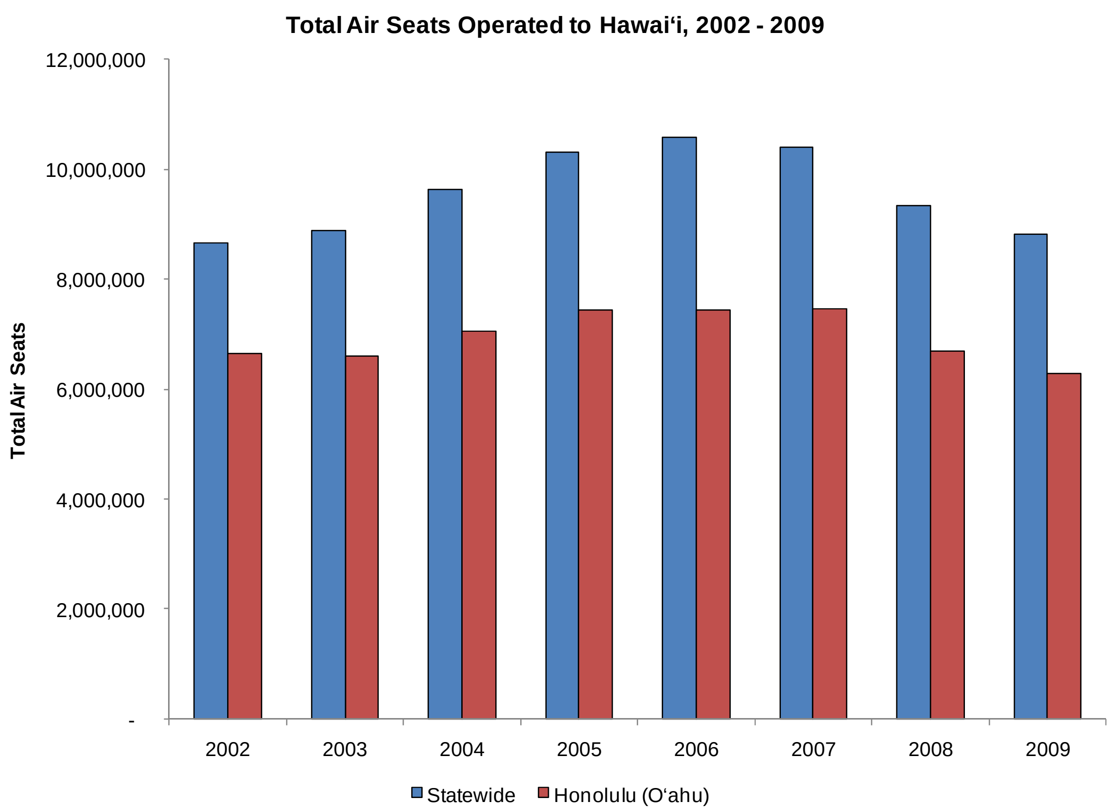
## Air Seat Capacity

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

- Visitors using different types of accommodations also have different spending profiles' Oʻahu 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% |

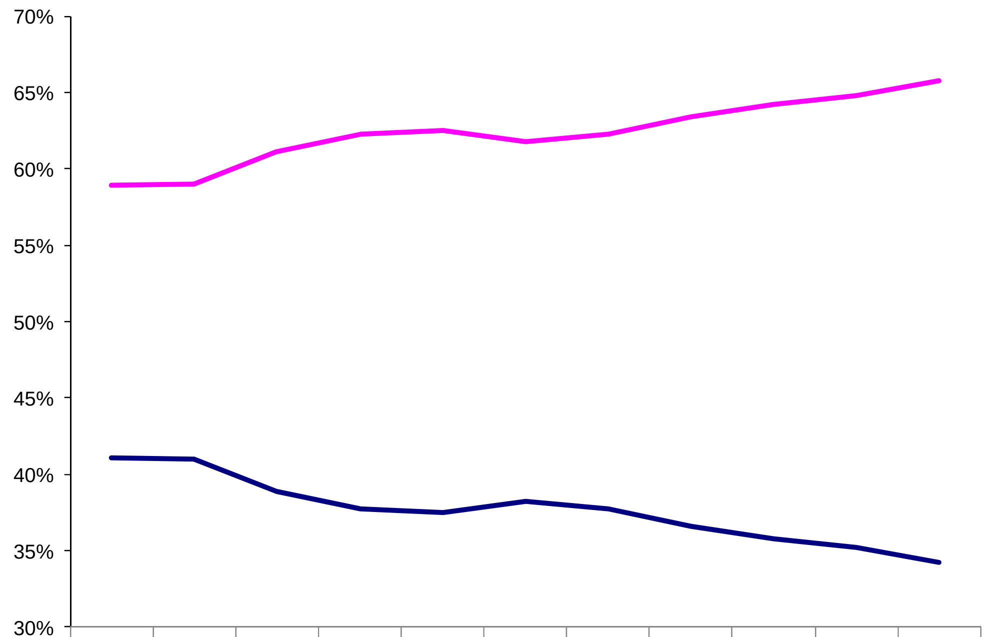
*Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority*

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)**

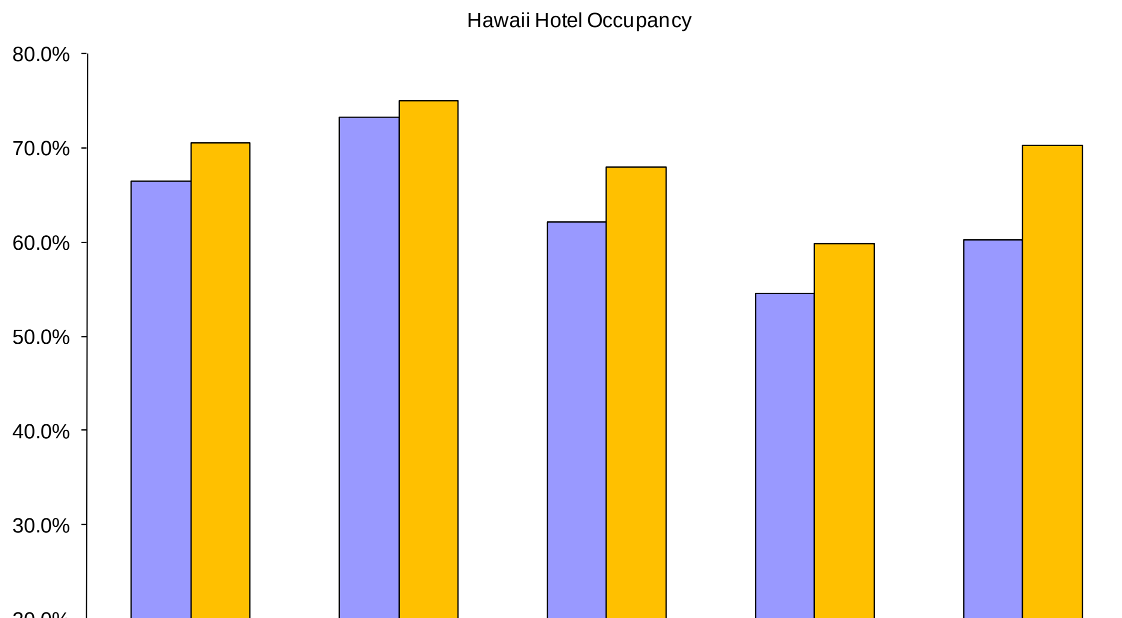
| | FIRST TIME | | | REPEAT | | |
|---|---|---|---|---|---|---|
| | 2007 | 2008 | % Change | 2007 | 2008 | % Change |
| Total Visitor Days | 22,281,679 | 20,048,015 | -10.0% | 46,853,631 | 43,082,118 | -8.0% |
| Total Visitors | 2,646,523 | 2,338,202 | -11.7% | 4,850,297 | 4,375,234 | -9.8% |
| **VISIT 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**



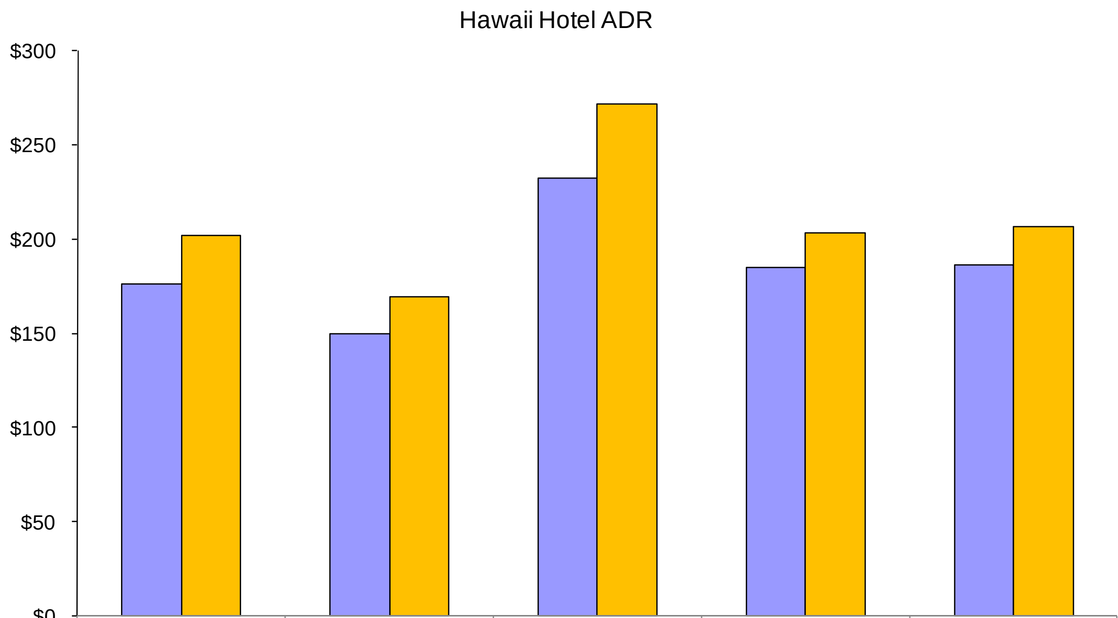

| | State of Hawai‘i | O‘ahu | Maui | Hawai‘i | Kaua‘i |
|---|---|---|---|---|---|
| 2009 | 66.5% | 73.3% | 62.1% | 54.5% | 60.2% |
| 2008 | 70.5% | 75.0% | 67.9% | 59.8% | 70.3% |

*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.

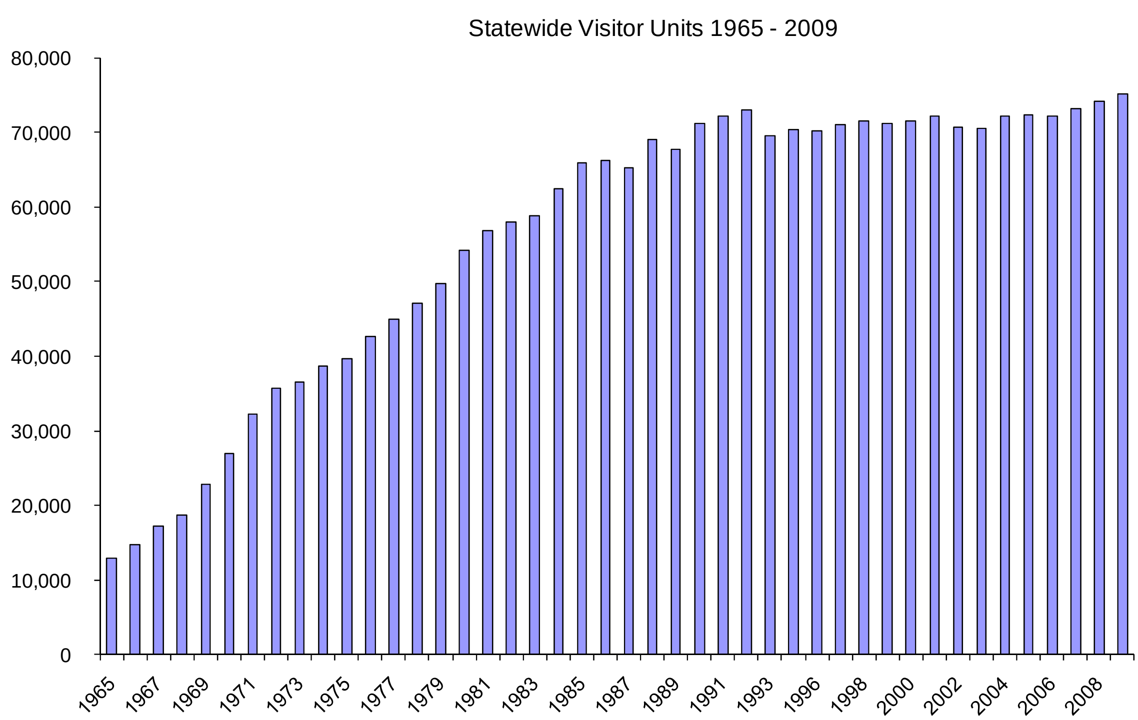
As the VPI is the authoritative source for visitor accommodations data in the State, for the purposes of this report we will use the definitions as provided in the VPI report.

### 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**

| Year | Annual Visitor Days: State | Annual Visitor Days: O‘ahu | Average Daily Census: State | Average Daily Census: 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% |

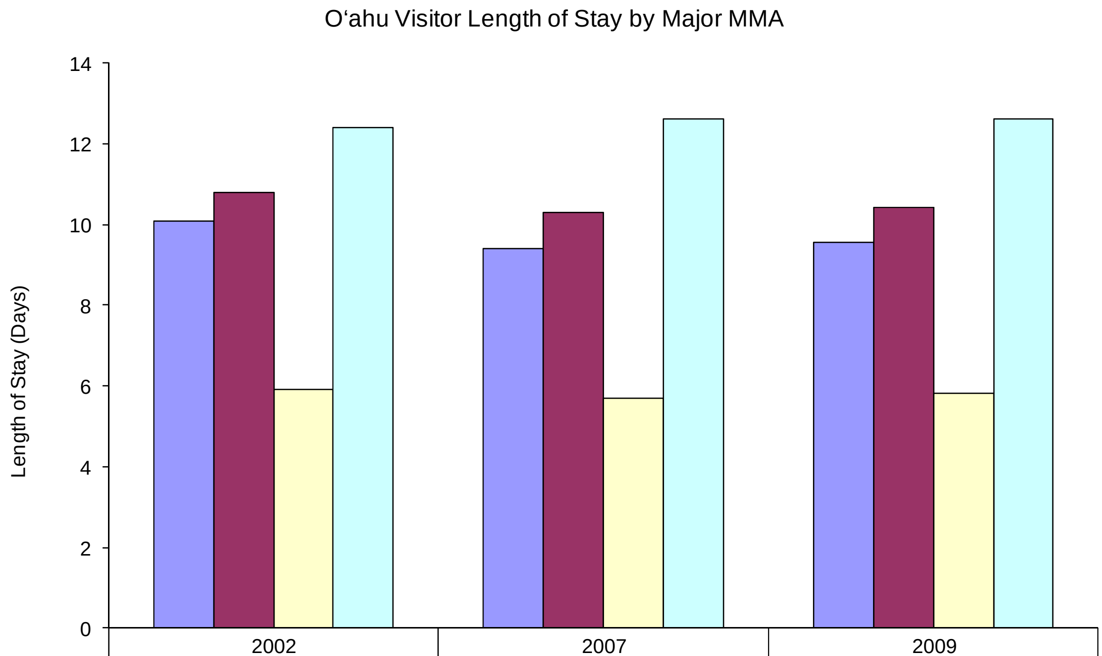
*Source: State of Hawai‘i DBEDT, Year 2009 data not available*

[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 |

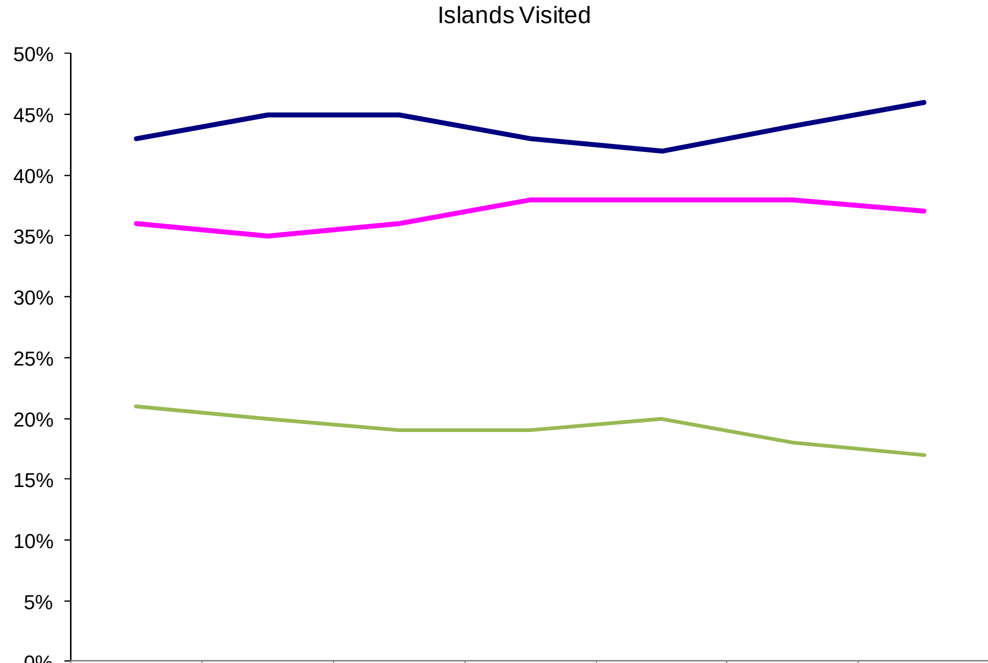
*Source: State of Hawai'i DBEDT, Hawai'i Tourism Authority*

- 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 Oʻahu.

- 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 Hawaiʻi. 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 Lāʻie 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 Waipiʻo Soccer Complex and the Central Oʻahu 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.

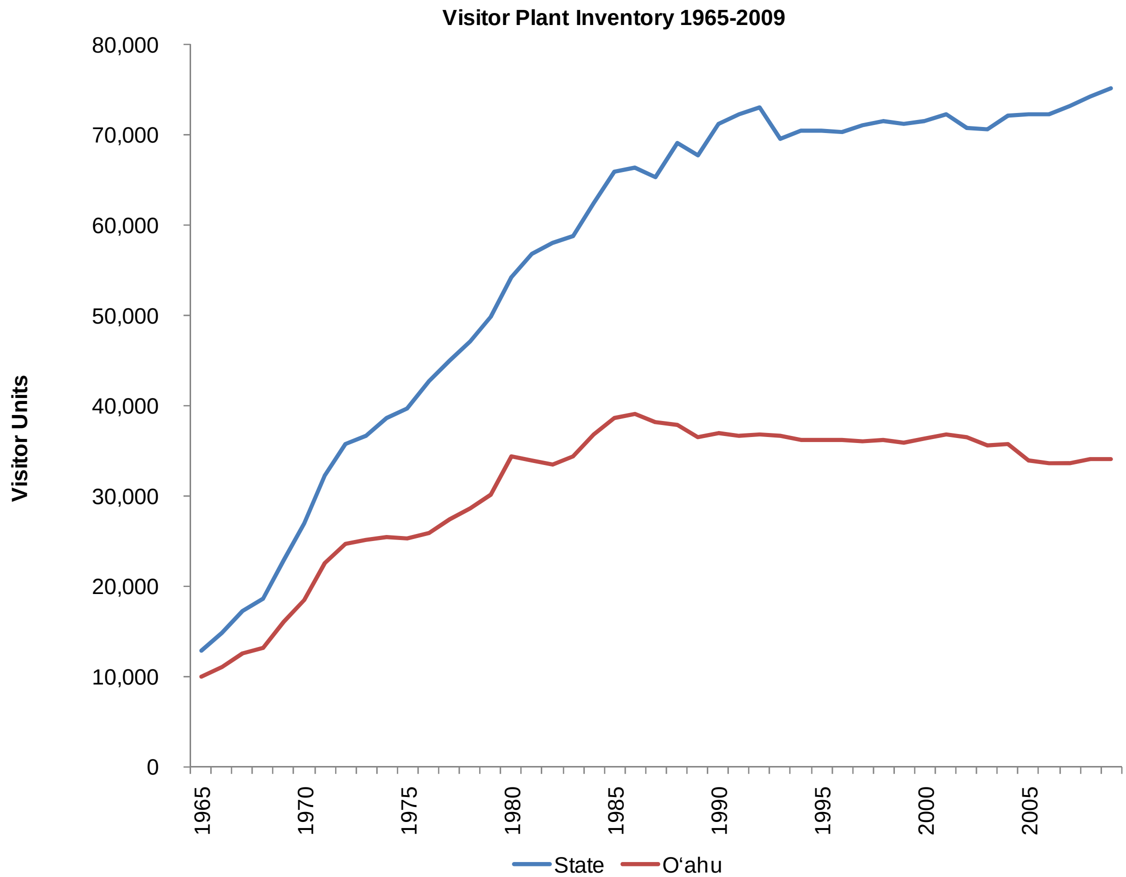
## Summary Highlights

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 ‘Olina 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 ‘Olina 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 ‘Ewa, 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 ‘Olina 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 Ali‘i 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 O‘ahu.

Ko‘olauloa/North Shore/Central O‘ahu

- The North Shore of O‘ahu 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.

<u>Bed & Breakfast/IVU Submarket</u>

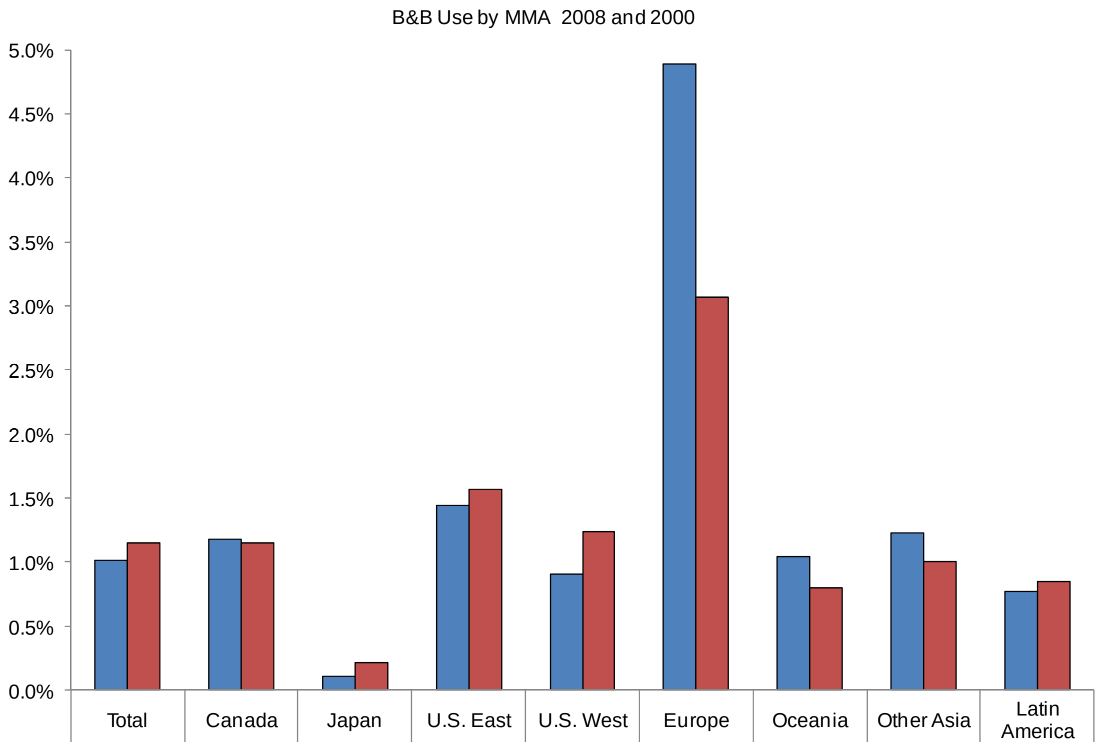
- The Hawai'i Tourism Authority defines Individual Vacation Units (IVUs) and Bed & Breakfast (B&B) accommodations as follows:
  - Individual Vacation Unit (IVU): An individual condominium unit (not in a hotel rental operation), house, cabin, villa or cottage with very limited service, often with only 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**



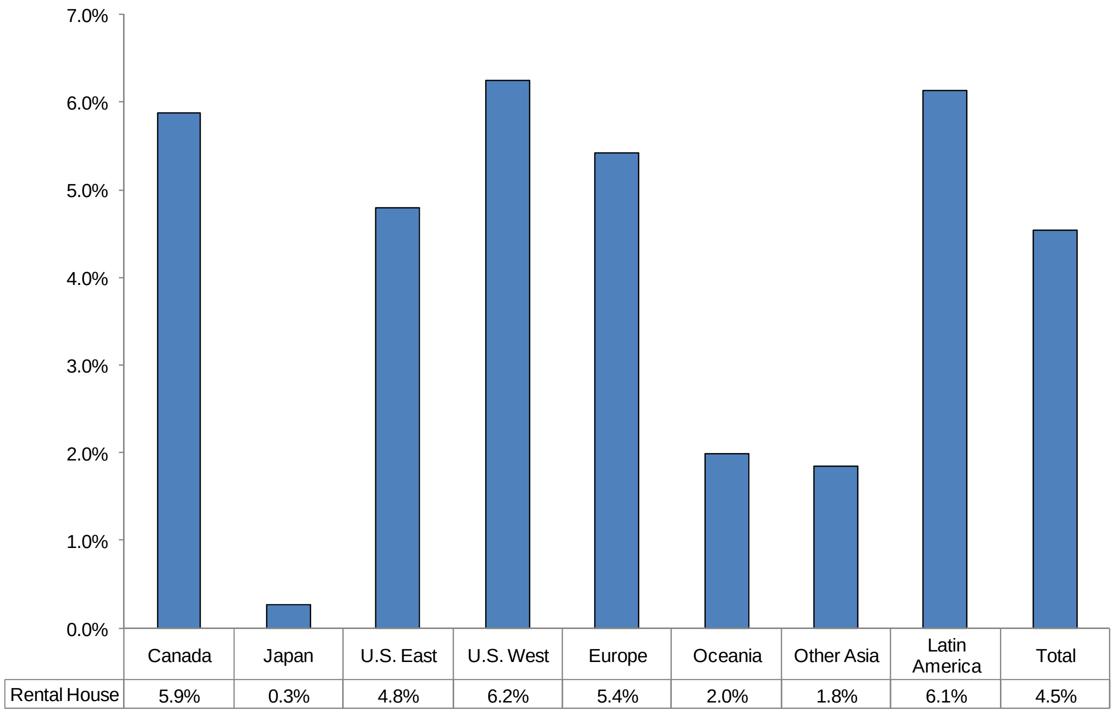

| | Total | Canada | Japan | U.S. East | U.S. West | Europe | Oceania | Other Asia | Latin America |
|---|---|---|---|---|---|---|---|---|---|
| 2008 | 1.0% | 1.2% | 0.1% | 1.4% | 0.9% | 4.9% | 1.0% | 1.2% | 0.8% |
| 2000 | 1.1% | 1.1% | 0.2% | 1.6% | 1.2% | 3.1% | 0.8% | 1.0% | 0.9% |

*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**

Rental House Use by MMA in 2008




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

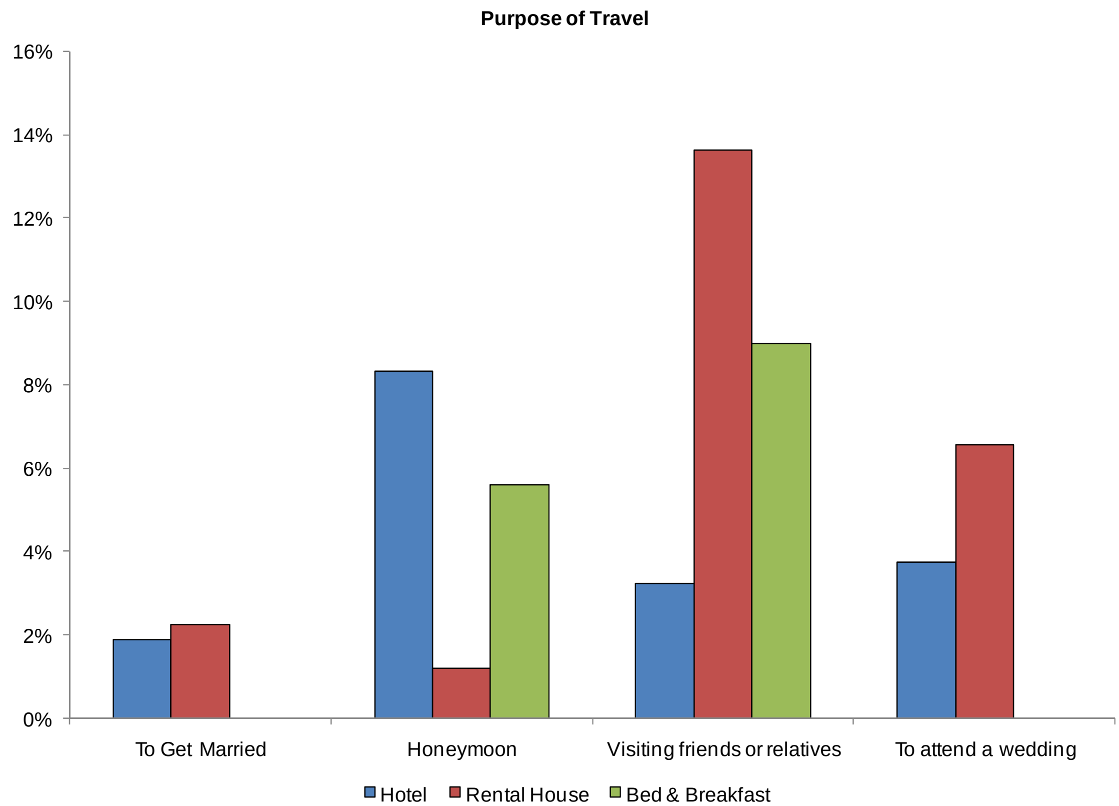
- B&Bs and IVUs can appeal to value-oriented visitors. For example, the average room rate for a Waikīkī hotel approximates $150.00. For the same rate however, a visitor could alternatively rent a one-bedroom detached cottage near Kailua Beach.

- 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.

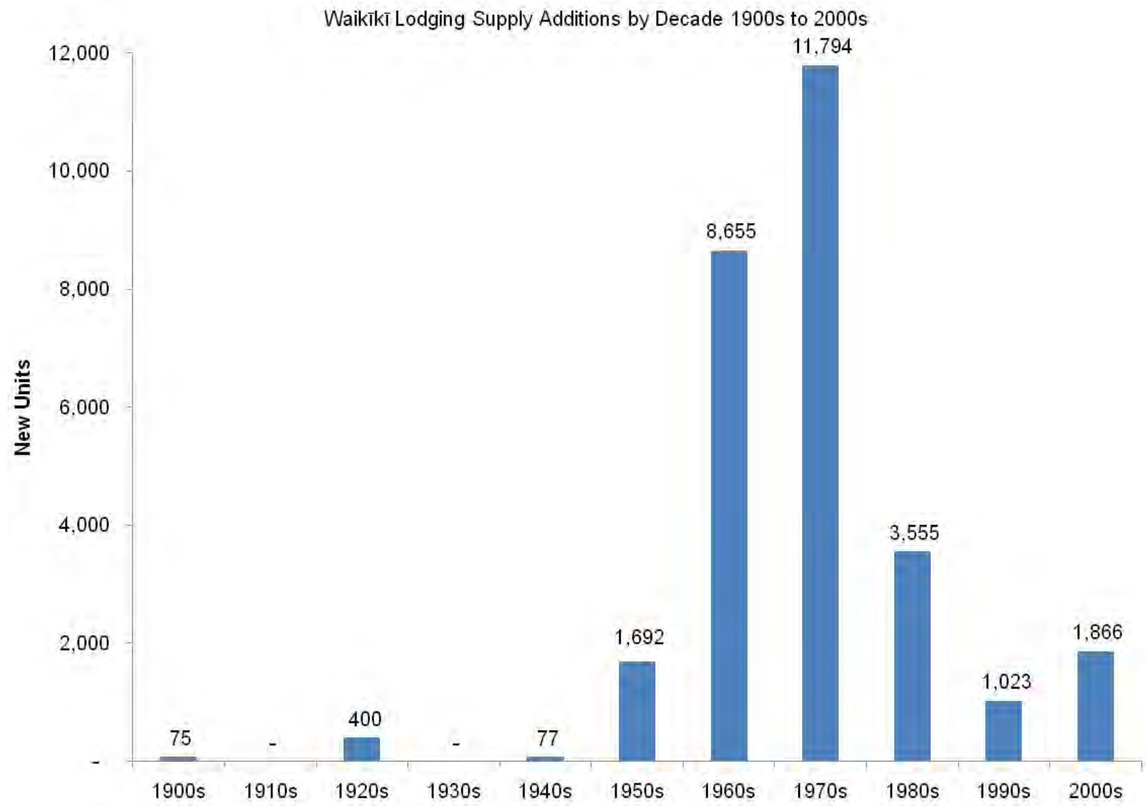
## Aging Visitor Plant

- 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**

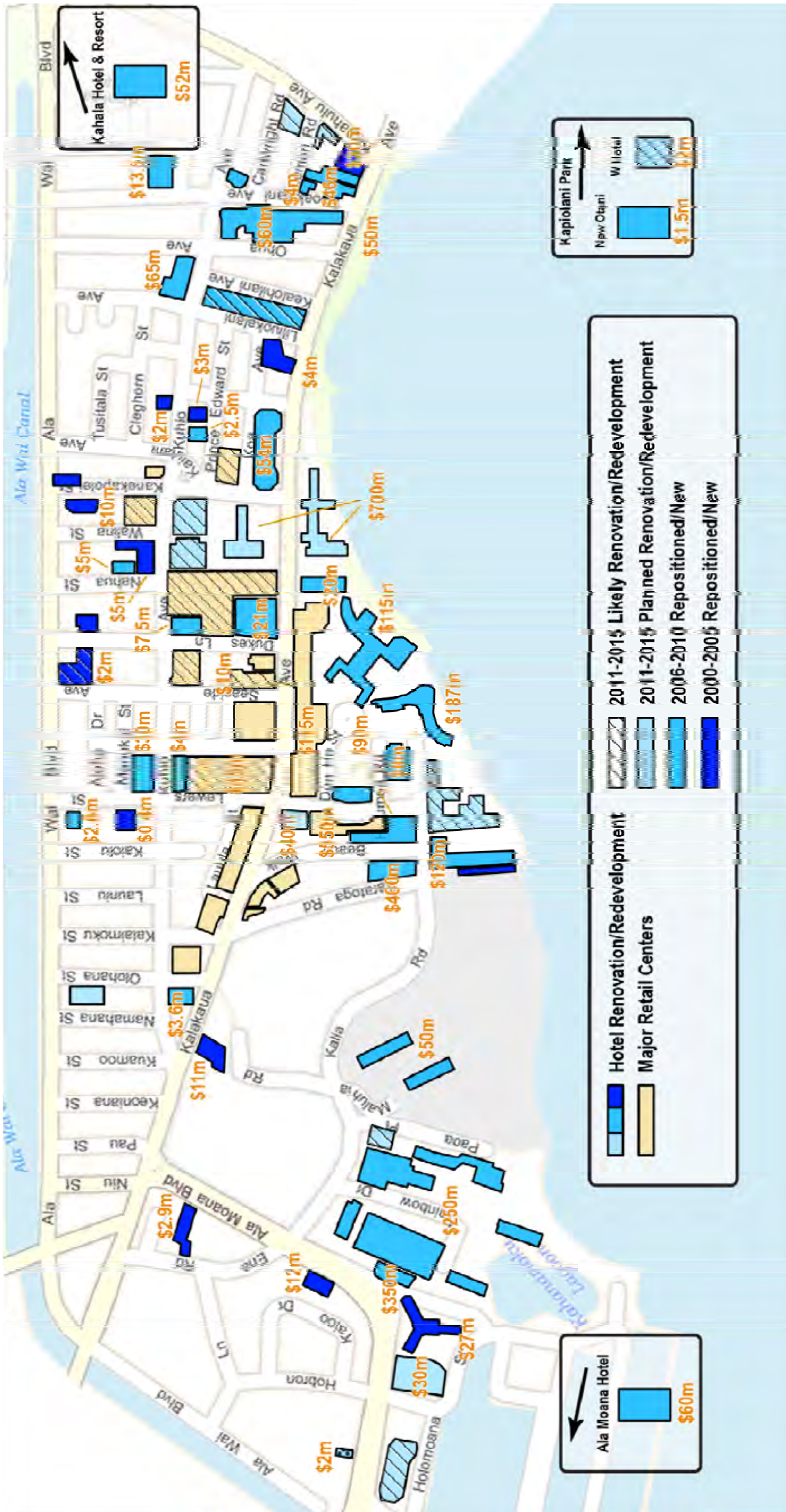
| Periods | Hotel | Retail | Total |
|---|---|---|---|
| 2000 to 2005 | $119,325,000 | $150,000,000 | $269,325,000 |
| 2006 to 2010 | $1,850,580,000 | $733,000,000 | $2,583,580,000 |
| 2011 to 2015 Planned | $740,000,000 | $0 | $740,000,000 |
| **Total** | **$2,709,905,000** | **$883,000,000** | **$3,592,905,000**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

*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.

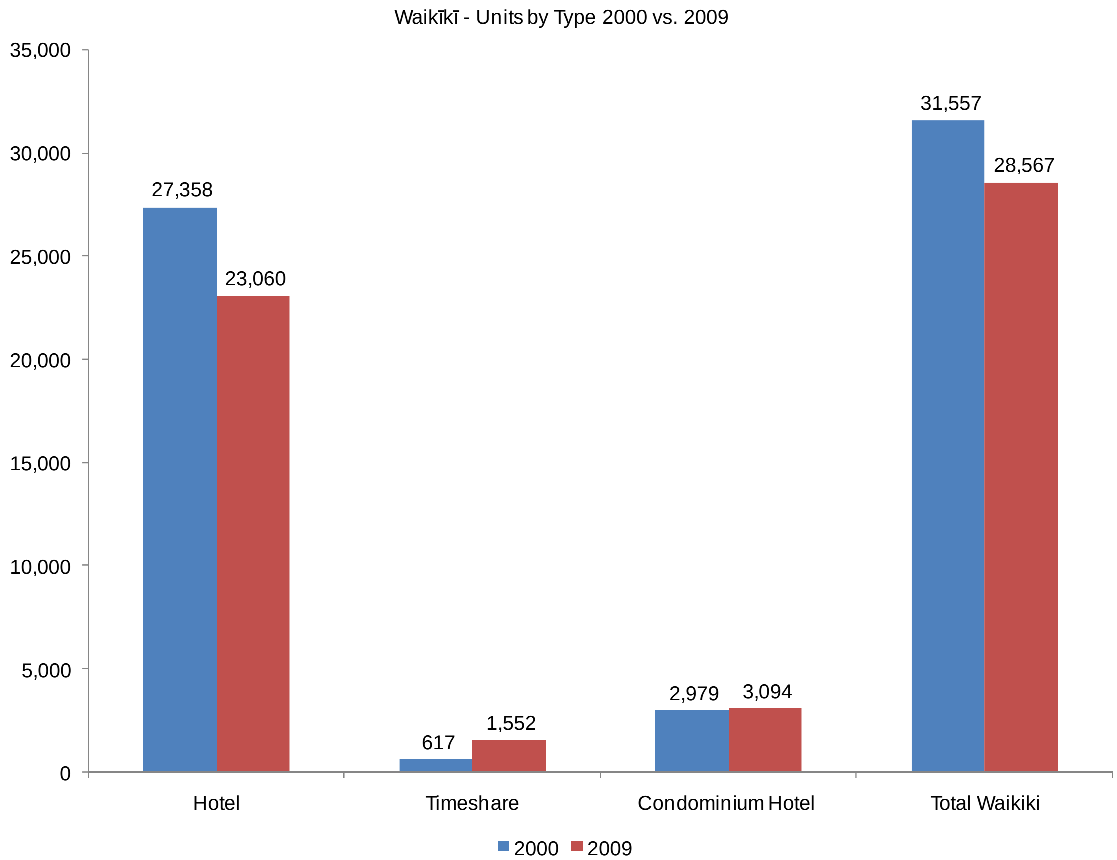
- The second chart on the following page provides examples of recent projects that have resulted in lower hotel room counts in Waikīkī.

Figure 45



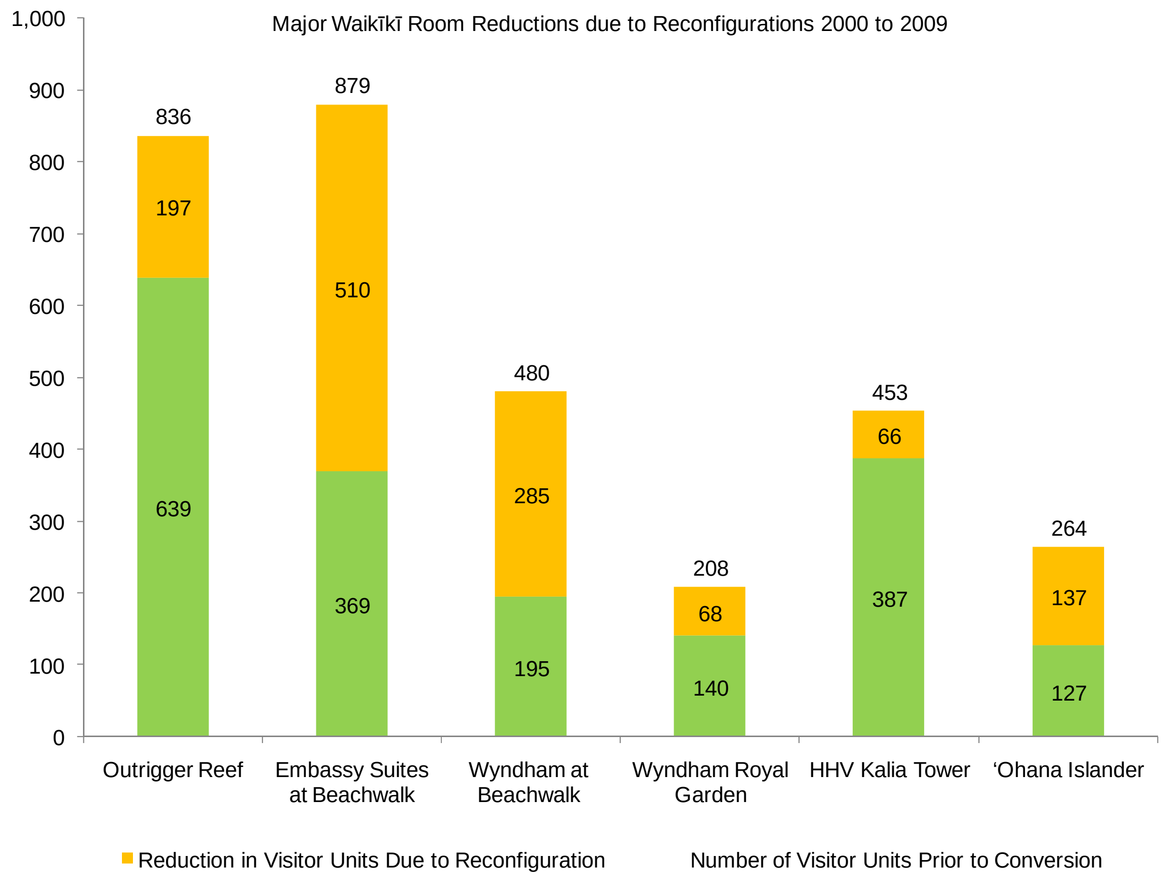

*Source: Hospitality Advisors*

**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 Lāʻie 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 Oʻahu's tourism industry will likely continue to be a complex and critical issue for the residents of Oʻahu. 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 Oʻahu'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

<u>Rapid Transit EIS</u>

- As observed earlier in this report, Oʻahu's average daily visitor census is more than 81,000, which pushes the *de facto* population of Oʻahu close to the 1 million mark. Visitors therefore are expected to be major users of Oʻahu'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 ʻOlina 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, ʻIolani 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 lūʻau 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 Oʻahu 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