



HAWAI'I APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

For Immediate Release
March 22, 2018

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REPORT DOCUMENTS THE IMPACTS OF VACATION RENTALS ON HAWAI'I'S HOUSING SUPPLY AND ECONOMY

Vacation rentals offer the possibility of extra income for some residents and additional tax revenue for the state, but many of the benefits go to nonresident investors.

HONOLULU, Hawai'i — Hawai'i's housing costs are among the highest in the nation and our workers earn the lowest wages in the nation after accounting for cost of living. These financial pressures are compounded by Hawai'i's regressive tax system, which places the second highest tax rate in the nation on people in poverty.

Given these factors, an unusually high percentage of our residents—43 percent—are renters, the fourth highest percentage in the nation. Rent is more expensive in Hawai'i than any other state. In recent years, rents have been increasing at more than twice the rate of wages. It is therefore no surprise that Hawai'i has the highest rate of homelessness in the nation, and families who have called Hawai'i home for generations are being priced out of the islands.

At a time when Hawai'i is only building half of the units necessary to keep up with demand, housing stock available to Hawai'i residents is being eaten up by nonresident purchasers. Twenty-seven percent of Hawai'i home sales are made to nonresidents. On Maui, 60 percent of condominium sales are made to nonresident buyers. The proliferation of short term vacation rental units (VRUs)—the majority of which are operated by nonresidents—has added another pressure point by further limiting the availability of housing for local families.

Hawai'i Appleseed Center explored the consequences of the proliferation of vacation rentals in Hawai'i and released its findings in a new report titled “Hawai'i Vacation Rentals: Impact on Housing & Hawai'i's Economy.” The report finds that vacation rental units (VRUs) put pressure on Hawai'i's already-stressed housing market by reducing the shelter available for Hawai'i residents and driving up rents.

“Affordable housing is the most crucial issue affecting our residents' quality of life and their ability to economically survive,” said Hawai'i Appleseed Co-Executive Director Victor Geminiani. “Speculators and investors have been eager to take advantage of the tremendously profitable vacation rental industry at the

expense of our residents. We need to establish controls to protect our communities from fragmentation.”

- Over just the last two years, the number of VRUs in Hawai'i has increased by 35 percent.
- There are currently 23,000 VRUs being advertised around the state.
- Up to 93 percent of these listings are for entire homes, rather than the rent-out-a-room image purveyed by the VRU industry.
- One out of every 24 housing units in the state is a VRU, with some communities being completely overwhelmed by the industry's growth.
- On Kaua'i one in eight homes is used as a VRU.
- In Lahaina, Maui, the ratio drops to one in three.
- The reason why investors are choosing VRUs over long-term rentals is obvious: the average VRU brings in about 3.5 times more revenue than a long-term rental unit.

The loss of long-term rentals to VRUs means higher housing costs for Hawai'i residents. Although Hawai'i derives some benefits from VRUs through increased tourism spending and tax collection, the benefits are far outweighed by the costs.

San Francisco, which like Honolulu has struggled with high housing costs and a proliferation of VRUs, found that every housing unit withdrawn from the market to be used as a VRU produces a net negative economic impact, even if the unit generates host income, visitor spending, and hotel taxes. San Francisco estimates that their local economy loses up to \$300,000 per VRU per year. The impact of VRUs in Hawai'i is likely to be similar.

The report presents key recommendations that would significantly improve the enforcement capabilities of the counties to end illegal vacation rental operations and improve the legal permitting system.

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Hawai'i Appleseed is working to build a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, coalition building and advocacy.