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**INSIDE:** A look at seven rental rates by area in Oahu. Page A-8.

**TOMORROW:** The outlook in the rental market is not expected to get better anytime soon.

**WEDNESDAY:** Real estate experts can't agree on how lease-to-fee condominium conversions affect the rental market.

**THURSDAY:** Public and private agencies are helping with the state's rental crisis. But is that enough?

## □ Hawaii rents are rising faster than inflation as well as people's incomes

First in a series

By Rick Daysog  
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**R**OBERT Lord recently received a notice saying the rent on his one-bedroom Waikiki apartment would increase by 55 percent from \$900 to \$1,400 a month.

The retired psychiatrist, who is living on a fixed income, said the increase will be difficult to swallow and may force him to find a new place to live.

"The rents are rising way out of proportion with the cost of living," he said. "They're constantly going up, and there's no reason for it."

Lord's experience isn't the exception.

As property values have escalated, so have rents.

So much so, that they're far

outstripping growth in incomes.

Here's what the typical renter faces today:

■ The average rent in Honolulu has skyrocketed 42 percent the past five years to \$1,102.

■ For entry-level workers, Honolulu rents are the most expensive in the nation, topping rates in New York, Los Angeles and other high-cost areas.

■ The state has among the lowest vacancy rates and highest percentage of renter-occupied units in the nation.

■ Local renters shell out up to half their take-home pay in rents.

"You have people with jobs who can't afford to rent," said Nick Ordway, director of the Hawaii Real Estate Research and Education Center at the University of Hawaii.

"Once you get close to 50 percent of disposable income going into rentals, you've got a problem. You can't squeeze much more out of them."

A recent study by Locations Inc. shows that the average monthly rents in Honolulu increased at an annualized rate of 10 percent be-

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## RENT: Isle cost tops prices of New York City

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between 1986 and 1990.

During the same period, the median pre-tax earnings for the Honolulu family grew at an annualized rate of 6 percent.

That means one-third to one-half of a renter's take-home pay goes to rent, said Bank of Hawaii economist Paul Brewbaker.

"In the same way that housing has become less affordable, rental housing has become less affordable."

That is a problem affecting a big chunk of Hawaii's population.

The latest census information shows about 54 percent of the state's housing is owner-occupied, well behind the national rate of 64 percent.

In Hawaii, that means close to half the housing is occupied by renters.

For Michael Sklarz, Locations Inc.'s research director, rent inflation is the result of a classic squeeze: low vacancy rates, few newly constructed rental units being added to the market, an expanding population base and a growing economy.

lulu vacancy rate between 2 percent and 3 percent, doesn't see the supply-and-demand formula getting any better.

"With the low level of multifamily construction over the next few years, you'll end up with fewer rentals," Sklarz said.

With a vacancy rate of about 2 to 3 percent, Hawaii already is among the tightest rental markets in the nation.

To get an idea of how tight that is: When nearly 7,400 Marines from Kaneohe Marine Corps Air Station were deployed overseas as part of Operation Desert Storm last winter, it didn't make a dent on vacancy rates on the Windward side, said Pat O'Malley, owner of Pat's Kailua Beach Properties.

"The vacuum was filled practically instantaneously," O'Malley said.

But that doesn't mean rents will keep rising at their current pace. Rental prices generally follow patterns similar to condominium prices, which have leveled during the past year, said Brewbaker.

"At this point in the cycle, condominium prices have stabilized and rents should stabilize soon."

For similar reasons, Sklarz thinks rents already are at the tail end of their run up and are beginning to cool.

"We'll likely have a 5 percent increase rather than a double-digit increase that we saw over the last

Year	Condo rental rates (mo.)	Year-to-year % change	Median family income	Rent % of family income
1990	\$1,073.60	10.6%	\$43,700	29.5%
1989	\$970.60	3.7%	\$41,200	28.3%
1988	\$936.00	20.6%	\$39,609	28.4%
1987	\$776.20	6.6%	\$39,038	23.9%
1986	\$728.00	-2.5%	\$34,665	25.2%
1985	\$746.60	-3.8%	\$32,611	27.5%
1984	\$776.00	15.2%	\$32,831	28.4%
1983	\$673.80	8.5%	\$29,742	27.2%
1982	\$621.00	11.5%	\$27,840	26.8%
1981	\$557.00	10.5%	\$27,499	24.3%
1980	\$504.00	2.2%	\$24,813	24.4%

Source: Bank of Hawaii, Locations Inc., state