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Housing, Hawaiʻi Economy, and COVID-19 Webinar Recap

On May 5, Hawaiʻi REALTORS® hosted a webinar with economist Paul Brewbaker, Ph.D., CBE TZ Economics, to discuss housing and Hawaii's economy as we navigate unprecedented times during the COVID-19 pandemic.

COVID-19 & Economy Review:

- We should see the "new normal" emerge over May 2020 and into the summer, but there is a tremendous amount of uncertainty.
- March/April 2020 Hawaiʻi COVID-19 data review: Positive impact of safety restrictions on daily confirmed cases. Notably, this includes a reduction in flight activity to Hawaiʻi.
- Recession after the housing bubble (2007-2009) was investment led; current recession activity is consumption led based on household decision making. That makes it a very different recession in character and magnitude.
- Q2 2020 forecast from NABE: 25% to 50% decline in GDP at an annual rate.
- CBO projects a 40% decrease in GDP from Q2 2019-Q2 2020. The nation's output is projected to decline sharply in Q2 and begin to rise thereafter as non-essential businesses are allowed to open and employees get back to work.
- Historical review of recession activity: Clear post-WWII arc of economic growth.
- CBO expects the U.S. unemployment rate to average 15% in Q2 and Q3 2020, higher than at any point since the early 1930s, with persistent unemployment into 2021.
- A third of workers in Hawaiʻi are unemployed right now, following a classic "impulse response" profile. Now the challenge is to restore tourism in Hawaiʻi after a sudden stop hit domestic travel in March 2020. It is not possible to have economic recovery without a restoration of tourism and air travel.
- Hawaiʻi has recovered before, when looking at the 1918/1919 influenza pandemic; 1936/1937 maritime industry strikes in San Francisco Bay Area; 9/11 terrorist attacks; and Hurricane Iniki on Kauaʻi in 1992. These events are associated with massive structural change.

Housing Review:

- Expects downward pressure in Hawaiʻi to be relatively muted.
- Oʻahu vacation rental restrictions and drop in tourism has affected condo market. Sharp decline in positive cash flow leading to a condo inventory pileup.
- New listings in Hawaiʻi have dropped. Activity and sales volumes will subside, but valuations will probably not decline quite as much. Housing is a long-term asset, so you need to look through this crisis out into 2021 for guidance.
- There will be increased delinquencies due to COVID-19; question on whether that will actually turn into defaults.
- REALTORS® should turn to digital/virtual/electronic tools, such as 3D open houses, to enforce health and safety measures. Younger customers are already there.