

Hawaii hotter than ever for travelers

04 September 2012 7:41 AM
By Ron Watanabe
HotelNewsNow.com columnist

Story Highlights

Year-to-date hotel occupancy in Waikiki is approximately 85%, which is 5% higher compared to the same period a year ago.

Through May, the number of Japanese visitor arrivals to Hawaii has increased by more than 18%.

Taking care of the new Asian tourist is the major challenge for Hawaii hoteliers and tourism officials; language and cultural issues are significant.

While resort destinations on the U.S. mainland are seeing a gradual improvement after the decline of the past several years, Hawaii seems to be firing on all cylinders and roaring back. Barring any natural disaster or catastrophic event, 2012 and beyond looks very good for Hawaii's visitor industry.

Airlines fuel growth

There are clear indications tourism in Hawaii in 2012 might surpass the peak 2007 activity in terms of numbers of visitors, hotel occupancy and revenues. Year-to-date hotel occupancy in Waikiki is approximately 85%, which is 5% higher compared to the same period a year ago.

Data from STR, parent company of HotelNewsNow.com, shows July year-to-date statewide occupancy at 77.8%, a 6.5% increase compared to the year prior.

The improvement to the tourism numbers is because of several factors, including the weak U.S. dollar, visa waiver for Koreans, increasing Chinese travel and the increased airlift capacity from Korea, China, Japan and the U.S. mainland. In addition, airlines including Hawaiian Airlines, Alaska Airlines, China Eastern Airlines, and Allegiant Air are bullish on Hawaii and expanding their flights to Honolulu.



Ron Watanabe

The increase in airline seats to Hawaii is expected to be less than 10% in 2012, but the shift from the jumbo jets to smaller fuel-efficient jets allows service to secondary cities, making travel to Hawaii more convenient and accessible.

New ports of origin from the mainland and addition of flights from the Asia/Pacific region—Seoul, South Korea, Shanghai, Beijing, Taiwan, Sydney, Osaka and Fukuoka, which are both in Japan, are fueling a surge in visitor numbers. In addition, nonstop service from mainland U.S., including California cities Oakland, San Jose, San Diego and new service from Auckland, New Zealand, Melbourne, Australia, New York and Washington D.C., will be significant additions. Scheduled nonstop seats from Canada also are expected to show double-digit growth in 2012.

The Asians are coming

Clearly the "big gorilla" for Hawaii's tourism future is the Asian traveler.

The Japanese visitors continue to come. Through May, Japanese visitor arrivals had increased more than 18%, a huge rebound after the tragic earthquake and tsunami in March 2011.

Although the Chinese visitor numbers are relatively small, approximately 100,000 in 2011, their numbers are expected to triple in two years. All indications are they will be a large factor in the Hawaii tourism market along with Koreans. Hawaii retailers are embracing the Chinese, as their daily spending was the highest of all visitors at \$382.60 per person in 2011, albeit much of it was spent at duty free shops.

Hawaii tourism and government officials continue to push the federal government to allow visa waivers to the Chinese, hoping to encourage and make it easier for more Chinese travelers to visit Hawaii. If visa waivers are granted to Chinese travelers, it could open a floodgate of visitors from China.

It is definitely making it easier for Koreans to travel to Hawaii because of visa waivers and their numbers are expected to climb. Honeymooners constituted the largest segment of the Korean market with more than 45% of the total visitors from Korea.

Challenges ahead

Taking care of the new Asian tourist is the major challenge for Hawaii hoteliers and tourism officials; language and cultural issues are significant. Most hotels, restaurants and retail shops are not adequately staffed with Chinese or Korean speaking staffs, and as a result, rely on the tour coordinators to provide visitors with information on where to go for sightseeing, dining and shopping. The result is they often are steered away from the main Waikiki shops and restaurants to businesses that have Chinese-speaking staffs and offer "commissions" to the tour guides.

Waikiki is hot—the neighbor islands not so much. The bulk of Asian tourists, more than 90%, only visit Waikiki; neighbor island tourism has not benefitted to the degree Waikiki has from the new influx in 2011 and 2012. However, as Waikiki gets filled to capacity, visitors will be pushed to the neighbor islands.

Real-estate deals


There is some speculation by mainland investors that Hawaii is the hot hospitality real-estate market. However, there has been very little deal activity. The reasons, which are not so obvious, is the complexity of deals, including the lower operating margins, ground leases, huge property improvement costs and complex owner and lender situations. The reality is there aren't that many hotels in Hawaii available for sale. That said, several select hotels are going through restructuring and possible sale this year.

Unlike the "Japanese Bubble" years, there are few Chinese and Korean buyers speculating in Hawaii hotels and other hospitality real estate. One exception is a Chinese investor who is speculating on golf courses and has acquired golf courses on Oahu and Maui. Additionally, a Korean investor has acquired a small hotel in Waikiki and a local investor group has acquired 365 condo-hotel units in Waikiki. Generally, many Hawaii deals are not attractive to Chinese buyers because of the leasehold nature of the real estate. Chinese buyers want fee simple ownership.

Recent zoning changes in Waikiki will likely encourage developers to build new projects. The change of zoning from resort commercial to resort mixed-use now allows hotels and timeshare properties to be built where it was previously restricted to retail and restaurants. The new zoning law also increases height and density allowing larger viable projects.

Ron Watanabe is president of Ron Watanabe & Associates, a hospitality and real estate consulting firm based in Honolulu, Hawaii. He provides market analysis, asset management, brokerage, litigation support and expert witness services. He can be reached at 808-782-8322 or email ronwatanabeishc@aol.com.

The opinions expressed in this column do not necessarily reflect the opinions of HotelNewsNow.com or its parent company, Smith Travel Research and its affiliated companies. Columnists published on this site are given the freedom to express views that may be controversial, but our goal is to provoke thought and constructive discussion within our reader community. Please feel free to comment or contact an editor with any questions or concerns.



ISHC Global Insights
is a partnership of
HotelNewsNow.com and the
International Society of
Hospitality Consultants
(www.ISHC.com) to bring
in-depth global topics to the
hotel industry.
Be informed about
specialized topics from
hospitality experts that
will be delivered
throughout the year.

