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March 10, 2021

THIRD HAWAI'I COMMERCIAL RENT SURVEY WITH NEW NATIONAL DATA REINFORCES BLEAK FUTURE AND URGENT NEED FOR RELIEF

– Results Reveal Sluggish Recovery Ahead Despite Modest Help to Address the Crisis –

HONOLULU – The results of the Third Hawai'i Commercial Rent Survey with National Overlay show the commercial rent situation continues to worsen for businesses in Hawai'i and across the country.

A partnership between the Seattle-based Center for Housing Economics, the State of Hawai'i Department of Business, Economic Development and Tourism (DBEDT), National Association of Industrial and Office Properties (NAIOP), and others in Hawai'i's business community, expanded its research scope at the end of 2020 to include data from businesses across the United States. The top-level findings confirmed:

- Survey results reflect consistent need for commercial rent assistance in Hawai'i and across the United States.
- Many businesses permanently closed their doors and laid-off employees in 2020 due to the burden of commercial rent compounded with the costs of doing business in the new normal.
- Many businesses do not expect to survive through the end of 2021 without government-funded rent relief.

More specifically:

- A total of 1,205 business owners across 19 primary industries were polled with the majority of the respondents (93 percent) being from Hawai'i.
- 60 percent of businesses have closed due to the pandemic, while only 49 percent have partially or completely reopened.
- Two in three businesses were significantly impacted or closed due to government restrictions in 2020.
- Three in five businesses do not expect to survive through the end of 2021.
- 27 percent of businesses expect their annual revenue to decline by more than 50 percent in 2021.
- 56 percent of businesses are being impacted significantly by COVID-19.

Economic Hardship Endures Despite Federal and State Relief Programs

The vast majority of businesses surveyed said they received federal assistance with 83 percent benefiting from support of the Paycheck Protection Program (PPP) and/or the Small Business Administration relief programs. Nonetheless, 49 percent expect to miss at least one full rent payment between January and June 2021 and only 5 percent have been able to restructure their leases.

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Alarming, a mere 15 percent of businesses surveyed indicated they have received a reduction in rent, while 42 percent of businesses said they received a meager \$3,000 or less per month in rent assistance.

In sum, 63 percent of businesses do not believe they will survive in 2021 without government-funded commercial rent relief. This is based on data showing 49 percent of businesses surveyed did not pay rent in full from April to December 2020.

Concerted Call For Wider Government Safety Net

Businesses used government stimulus funds to finance a portion of their expenses in 2020 but the amount and timing of financial support was too little, too late for many businesses that had to close their doors permanently. Hardest hit businesses have not been able to pay rent, continue to add to their rent burden, and expect to miss further rent payments in 2021.

Businesses face increased headwinds due to a projected gradual economic recovery, safety regulations affecting business capacity and service, and businesses already operating with thin margins continue to struggle to break even. This is in addition to deferred payments of accumulating back rent.

“Unfortunately, the rollercoaster ride for thousands of businesses is reflected across the nation for the foreseeable future until truly meaningful help from the government can be provided,” said Ryan Tanaka, Hawai'i Commercial Rent Survey organizer and president of Island Business Management. “I’ve personally spoken to more than one hundred business owners since the start of this survey and it is clear the situation is dire. Many do not know how much longer their businesses will be able to survive.”

Roger Valdez, founder of Seattle For Growth’s Center for Housing Economics, said collaborating with Hawai'i’s business leaders on this national survey was intended to combat misinformation about housing with better data, better ideas, and with a hope of changing the narrative.

“The big picture is that commercial and residential real estate are tightly woven together,” said Valdez. “When businesses close, individuals lose their jobs and their income, which ultimately translates to the inability to pay their rent. Everyone is impacted which is why commercial rent relief is so critical to sustain our economy right now.”

The full results of the Third Hawai'i Commercial Rent Survey with National Overlay is available at <https://tinyurl.com/hcrs3us>.

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About the Third Hawai'i Commercial Rent Survey with National Overlay

The Third Hawai'i Commercial Rent Survey with National Overlay is an effort to gather actionable data and information on the direct impacts that COVID-19's is putting on businesses across the country. Originally created by a coalition of Hawai'i-based business leaders as the Hawai'i Commercial Rent Survey, the survey is made possible with the support of Island Business Management, LLC, the State of Hawai'i Department of Economic Development and Tourism (DBEDT), Center for Housing Economics, National Association of Industrial and Office Properties (NAIOP), NAIOP Hawaii Chapter, Chamber of Commerce Hawaii, Hawai'i Restaurant Association, Retail Merchants of Hawaii, Hawaii Food Industry Association, Hawai'i Lodging and Tourism Association, Hawai'i Executive Collaborative, First Hawaiian Bank, Central Pacific Bank, American Savings Bank, Bank of Hawaii, Aloha Pacific Federal Credit Union, HawaiiUSA Federal Credit Union, Nareit Hawaii, and others. Detailed survey results are anonymous and only aggregated totals and averages calculated from the respondents were used in the analysis.