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**HAWAII  
COMMERCIAL  
RENT SURVEY**

IBMHAWAII 

**OCTOBER 2020**

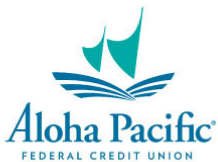


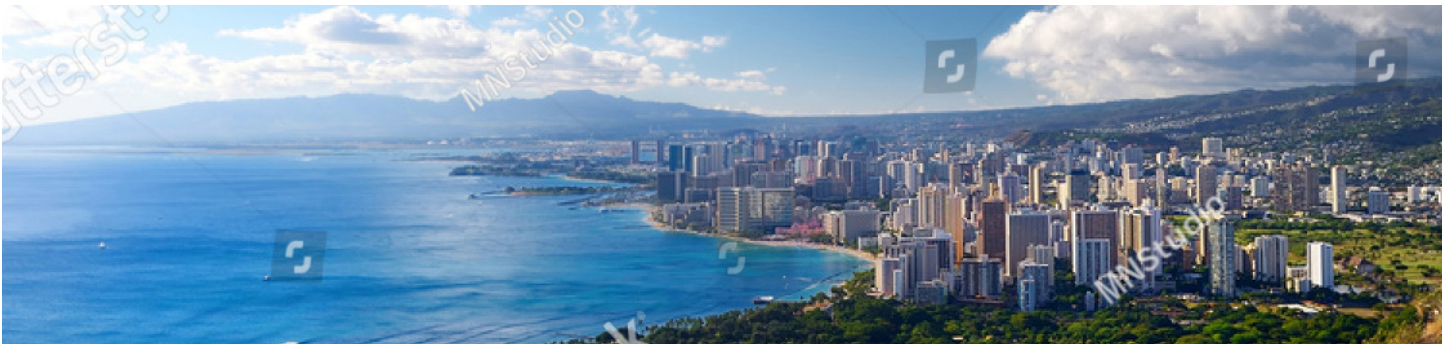
# Mahalo

to our partners for making this survey possible



HAWAII EXECUTIVE  
collaborative





Aloha,

We conducted this, The Second Hawai'i Commercial Rent Survey, because we recognize a need in our community, and we want to help. It's a collection of data from 1,474 Hawaii business owners, and they're telling us what we already know: it's tough out there.

We found in this survey that the consecutive government shutdowns are debilitating a number of sectors - and they're suffering disproportionately. For example, nearly all businesses in retail, entertainment, food services, and hospitality, along with their supply chains, were forced to close. Over half of those businesses say they won't be able to pay rent - from now through the end of the year.

As disheartening as that is, there's a silver lining to all this dismal data. We're going to take this to elected officials so they can make more informed decisions on how to utilize federal funds appropriately. They'll be able to see exactly where the need is in our community: Which sectors are hurt most? What counties are they located in? What other kind of federal, state, county, and private financial aid programs (including loan deferral) are they getting? How much more relief do they need to keep their doors open?

The second survey shows only 11% of businesses got a rent reduction from their landlords. Only 5% have been able to restructure their leases. How much longer can these business owners hang on? Rescuing businesses with commercial rent relief will provide jobs for people to return to. These jobs pay taxes and can prop up government budgets for years to come.

Thank you for reading this - and thank you, also, to the people who took the time to fill out the survey, as well as our partner organizations who supported it in various ways. I'm grateful to everyone's cooperation. Mary Kawena Pūku'i put it best with her proverb that points out, if everybody pitches in, the work is quickly done.

E lauhoe mai na wa'a; i ke ka, i ka hoe; i ka hoe, i ke ka; pae aku i ka 'aina.

Everybody paddle the canoes together; bail and paddle, paddle and bail, and the shore will be reached.

Please contact me if you have any questions or concerns.

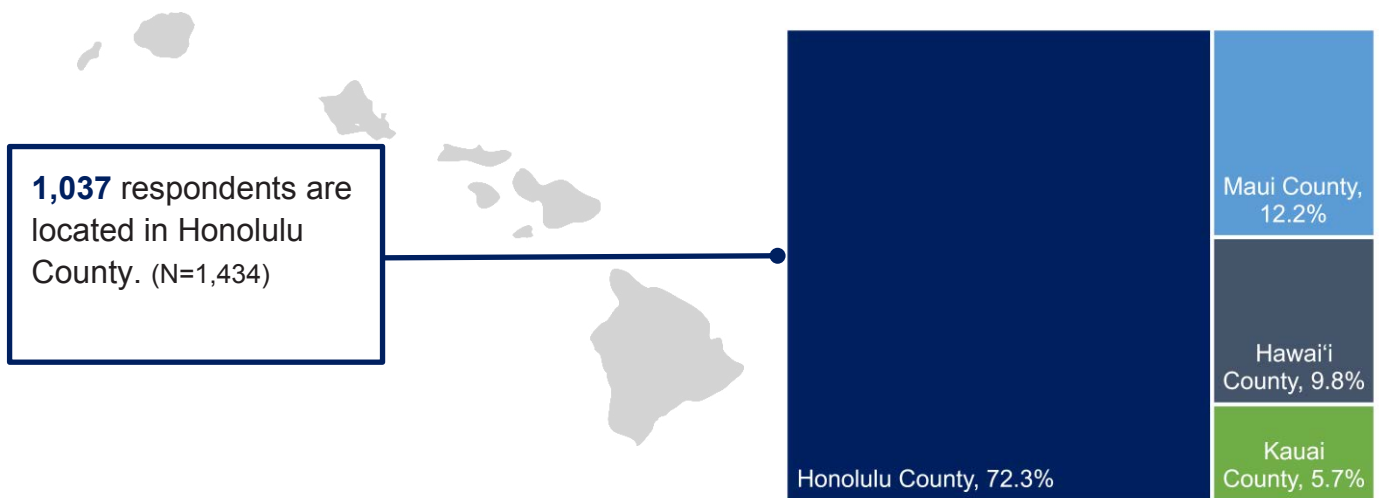
Sincerely,

A handwritten signature in black ink, appearing to read 'Ryan Tanaka'. The signature is fluid and cursive, with the first name 'Ryan' and last name 'Tanaka' clearly distinguishable.

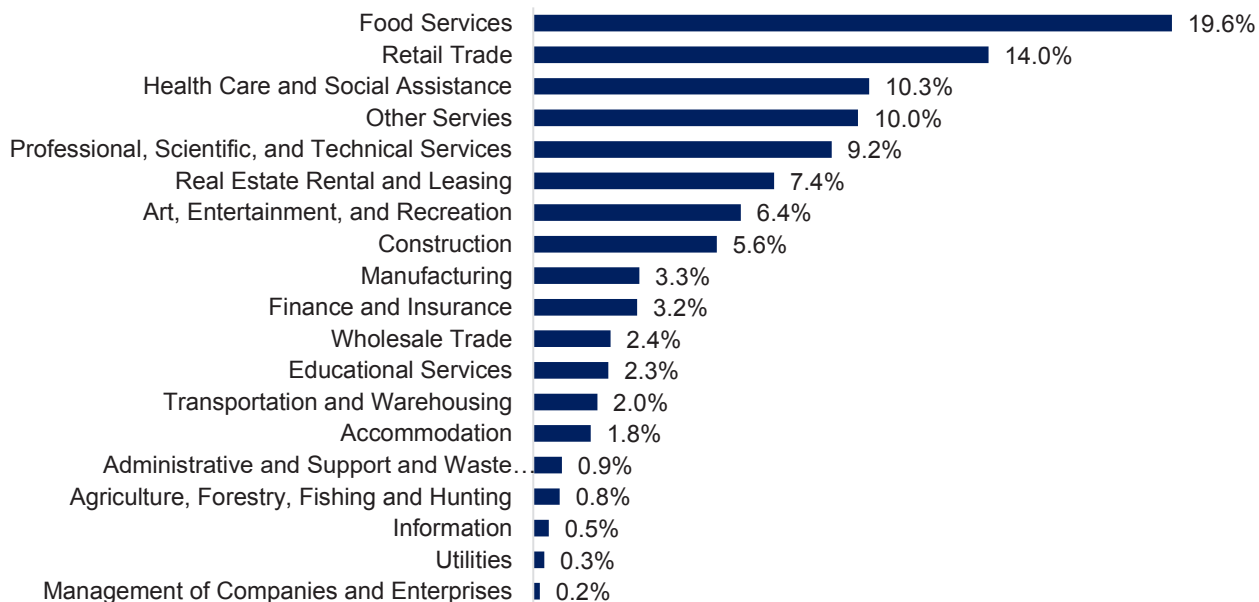
Ryan Tanaka  
President  
Island Business Management, LLC  
ryan@ibmhawaii.com

## Q3 Survey Respondents

**1,474** total business respondents over the **4** counties in Hawai'i broken down into **19** primary industries.



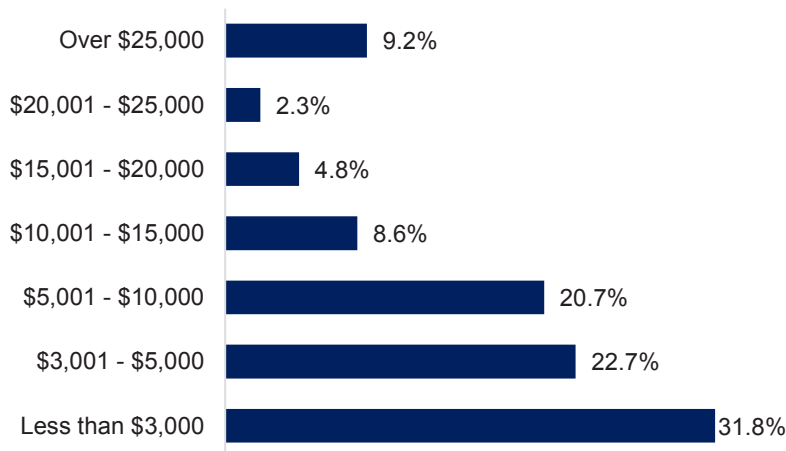
One-third (**33.6%**) are in the Food Services and Retail Trade industries. (N=1,474)



**66.5%** earned less than \$1 million in estimated annual revenue in 2019. (N=1,386)

**90.3%** employed under 50 full-time equivalent employees as of the end of 2019. (N=1,424)

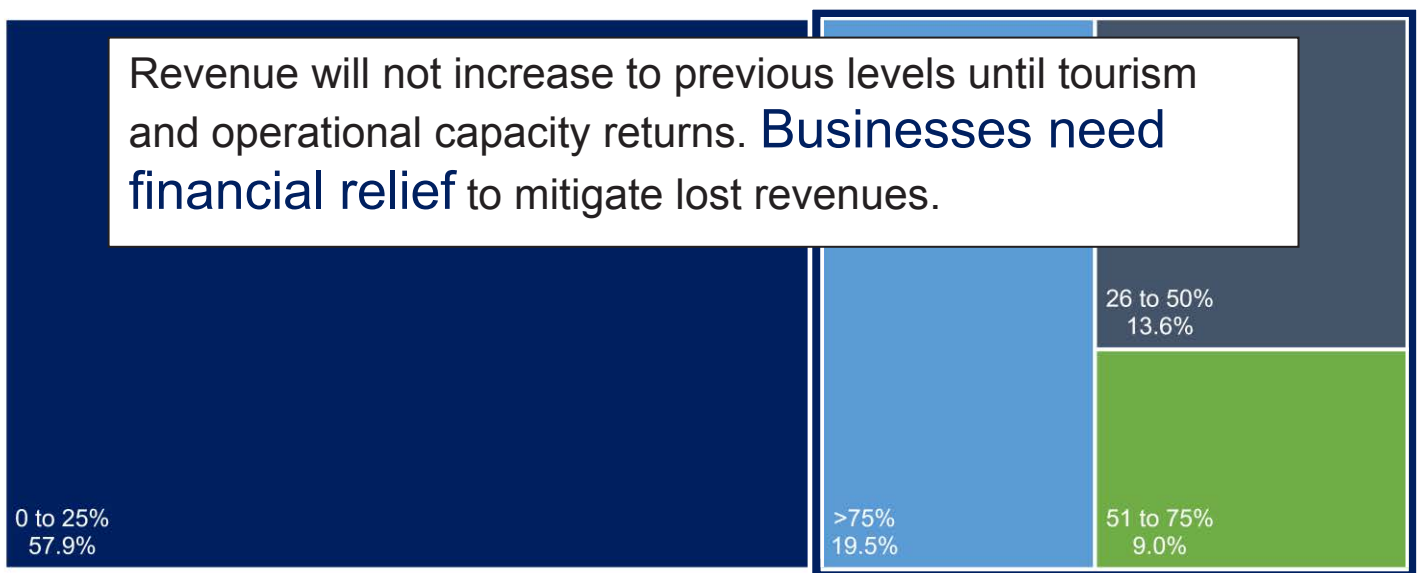
**82.0%** are tenants in buildings whose property owner is located within the State of Hawai'i. (N=1,313)



**75.2%** have monthly base-rent payments less than or equal to \$10,000. (N=1,272)

**74.6%** do not pay percentage rent above their base rent. (N=1,269)

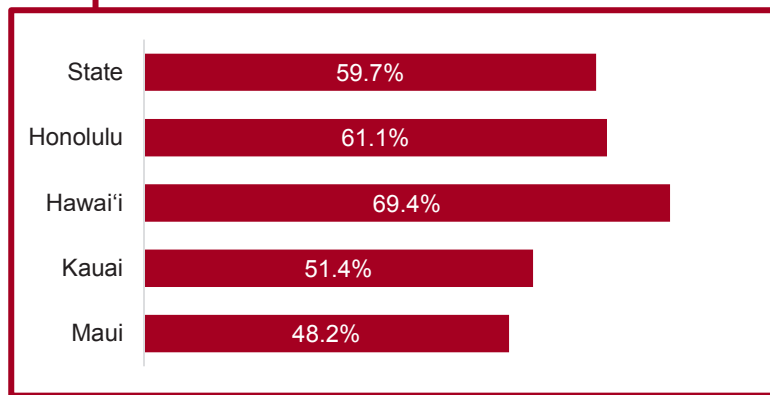
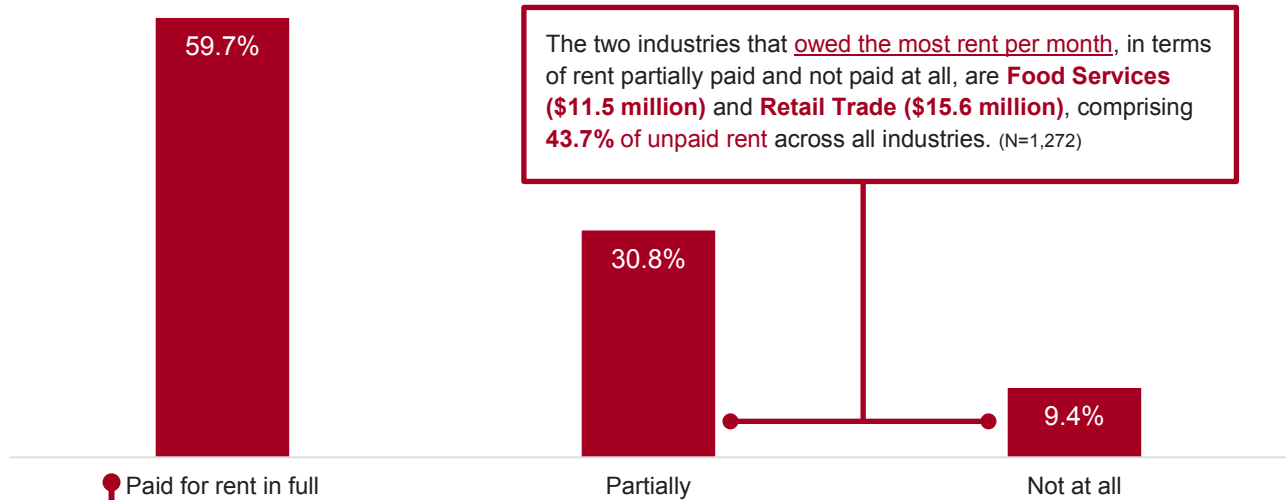
**42.1%** report >25% of their revenue comes from tourism. (N=1,310)





## Q3 Rent: COVID-19 Impact & Relief

From April through September 2020, businesses reported whether they **paid for rent in full, partially, or not at all**.

%Δ from Q2 Survey Respondents

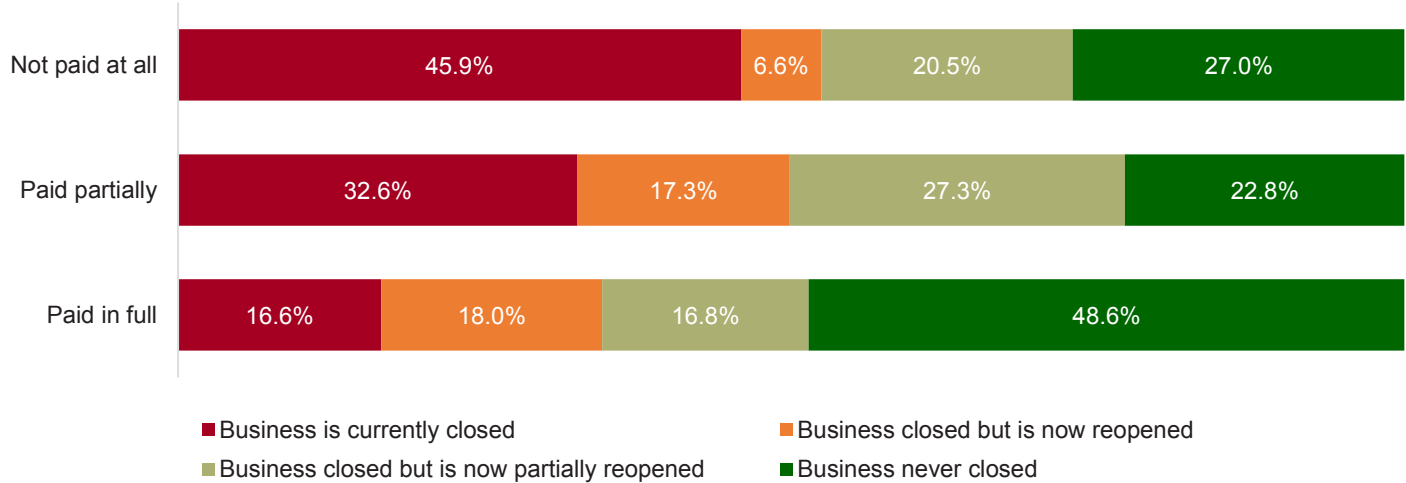


The statewide estimated total rent owed per month is **\$62 million in Q3 (vs. \$59 million in Q2)**. (N=1,272)

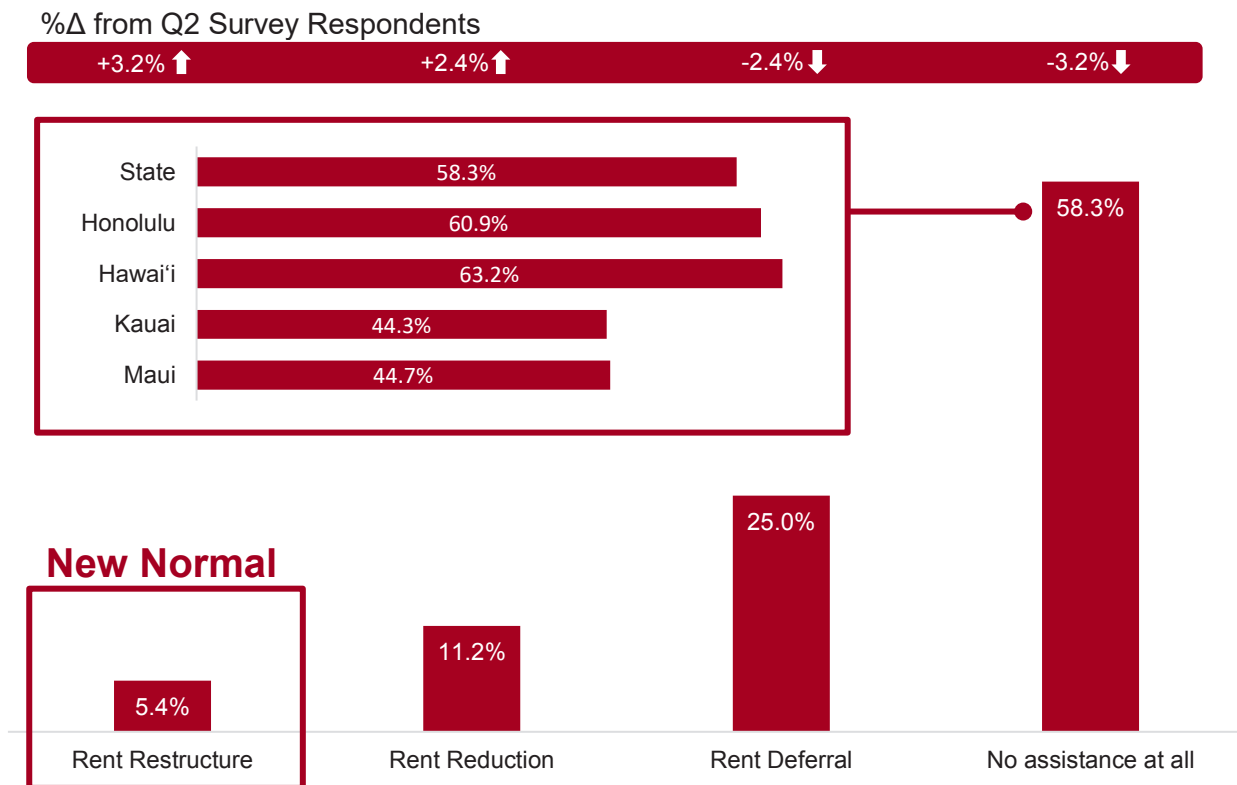
- 
**\$37 million** in partially unpaid rent (assuming 50% of rent was paid).
- 
**\$25 million** in fully unpaid rent.



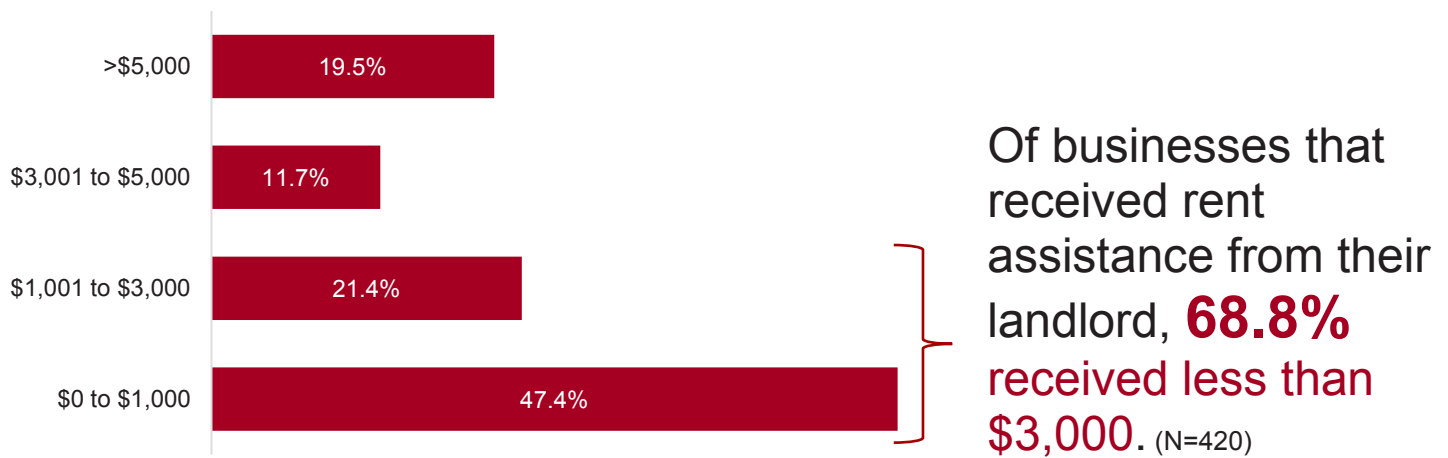
**45.9%** that have not paid rent at all are currently closed. (N=1,293)



**58.3%** have not received any rental assistance at all from their landlord. Rent deferral was the most common form of rental assistance over rent reduction and rent restructure. (N=1,255)



Only **5.4%** of rental agreements have been restructured as businesses enter the **new normal**. (N=1,255)



### Businesses expected to miss rent payments through year-end:

**2** in **3**

Entertainment



**2** in **3**

Retail



**7** in **10**

Restaurants



## Current Business Assistance

**85.6%** received financial support from PPP and/or the Small Business Administration relief programs. (N=1,236)

**41.2%** received assistance from the City & County of Honolulu's grant to small businesses. (N=1,226)

**19.7%** received loan deferrals from their bank. (N=1,227)



# Q3 Impact of COVID-19 on Revenue & Operations

Majority of business (60.9%) closed due to COVID-19, and 44.4% remain closed or have only partially reopened. (N=1,321)

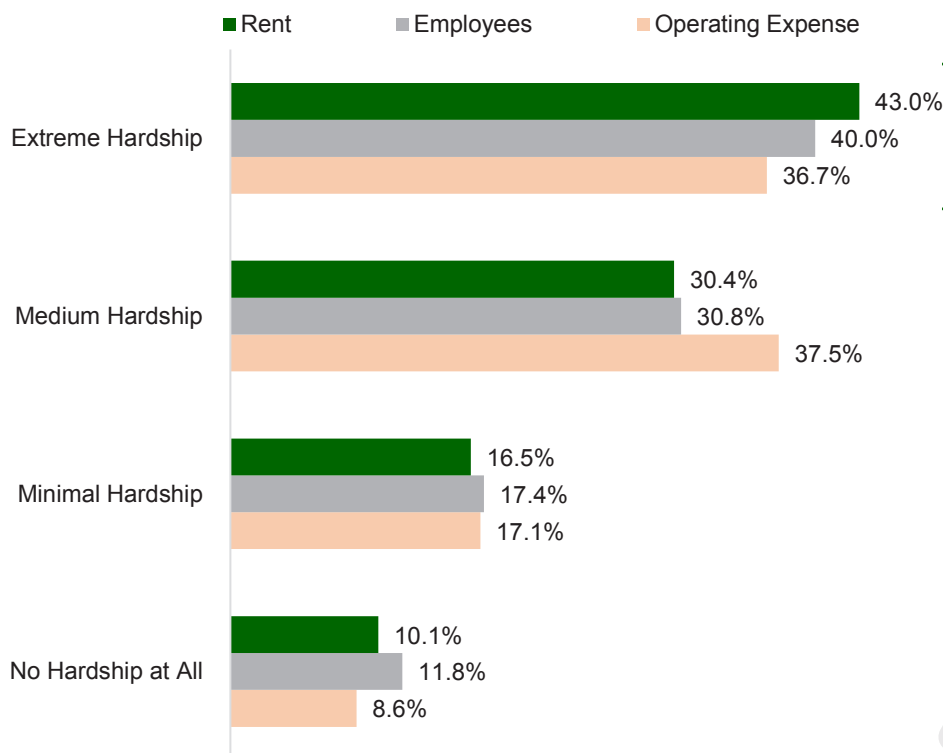
**39.1%** did not close.

**16.6%** closed but have now reopened.

**20.3%** closed but have now partially reopened.

**24.1%** closed and remain closed.

Majority of businesses reported some degree of hardship imposed by COVID-19 on their ability to pay rent (89.9%), employees (88.2%), and operating expenses (91.4%).



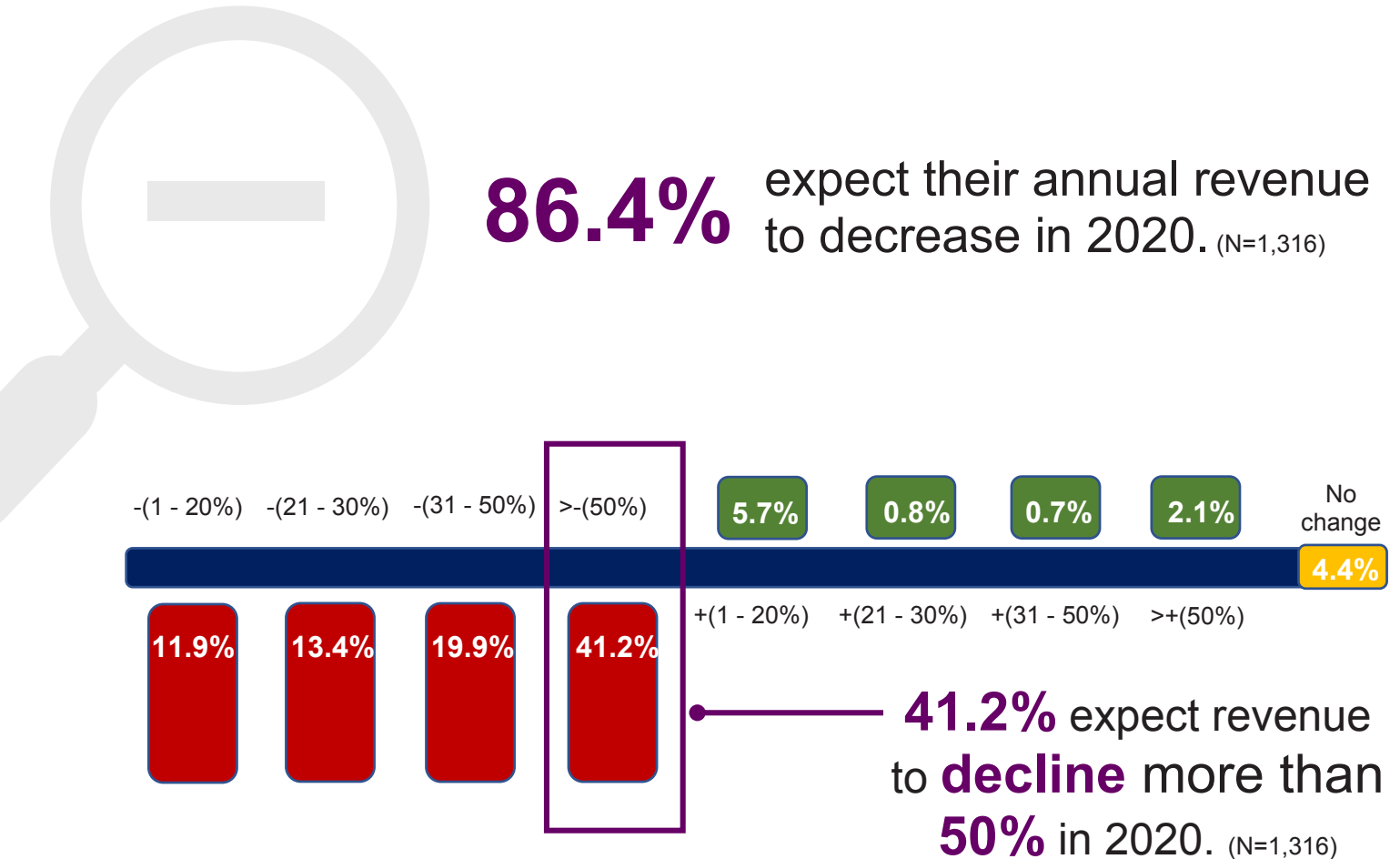
**1 in 3** businesses reported extreme hardship.

(Rent: N=1,215, Employees: N=1,164, Operating Expenses: N=1,204)



**No Hardship at All** = 100% able to pay; **Minimal Hardship** = greater than 90% probability of being able to pay; **Medium Hardship** = 75-89% probability of being able to pay; **Extreme Hardship** = less than 75% probability of being able to pay

## Q3 Business Outlook: New Normal



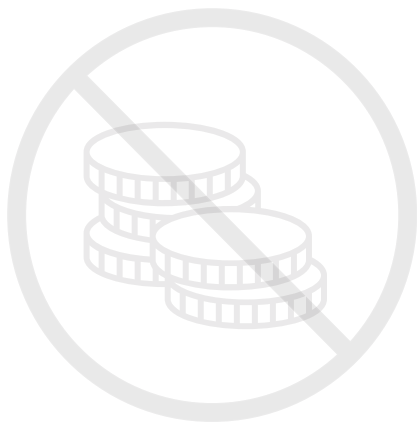
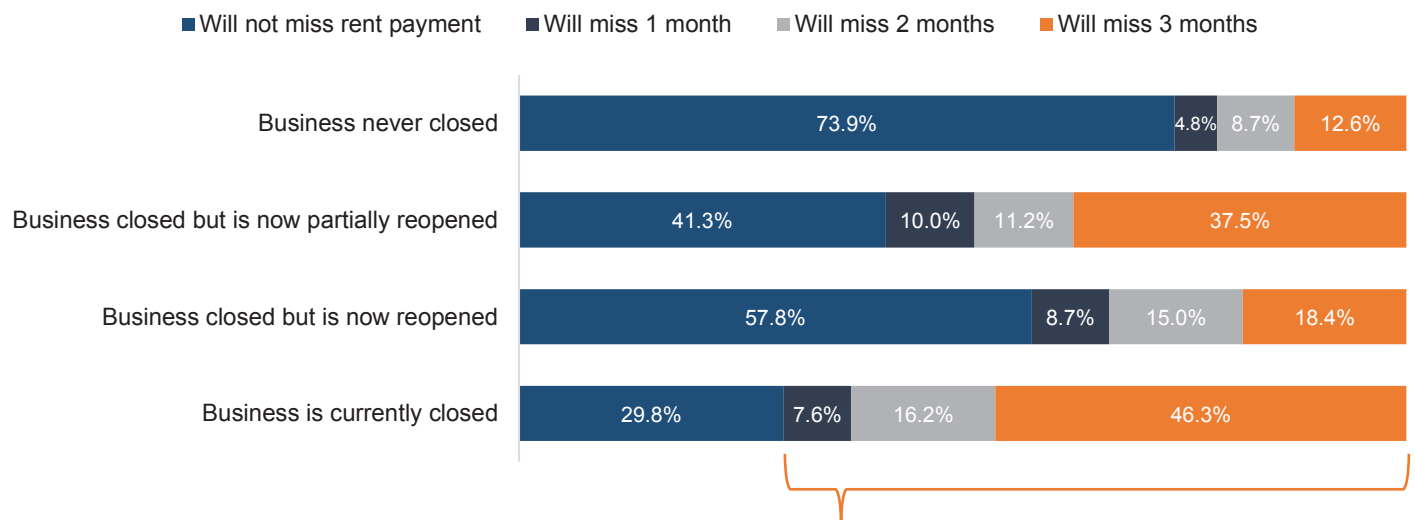
**3** in **4** expect a decline in revenue of over 20% in 2020, including **90.6%** of Food Services and **84.0%** of Retail Trade. (N=1,316)

**7** in **10** expect a decline in revenue of over 20% in 2021, including **83.1%** of Food Services and **74.2%** of Retail Trade. (N=1,052)

## Q3 Rent Outlook: New Normal

In the July 2020 Q2 Hawai'i Commercial Rent Survey, nearly half of businesses expected to miss rent payments through December 2020. The local economy had reopened and plans were set for the welcoming of transpacific travelers. Since then, a second stay-at-home order and multiple delays to transpacific travel have pushed businesses closer to the edge and **increased the need for rent assistance**.

**Half** of businesses respondents expect to miss rent payments between October and December 2020 based on the expected market conditions in the new normal. (N=1,233)



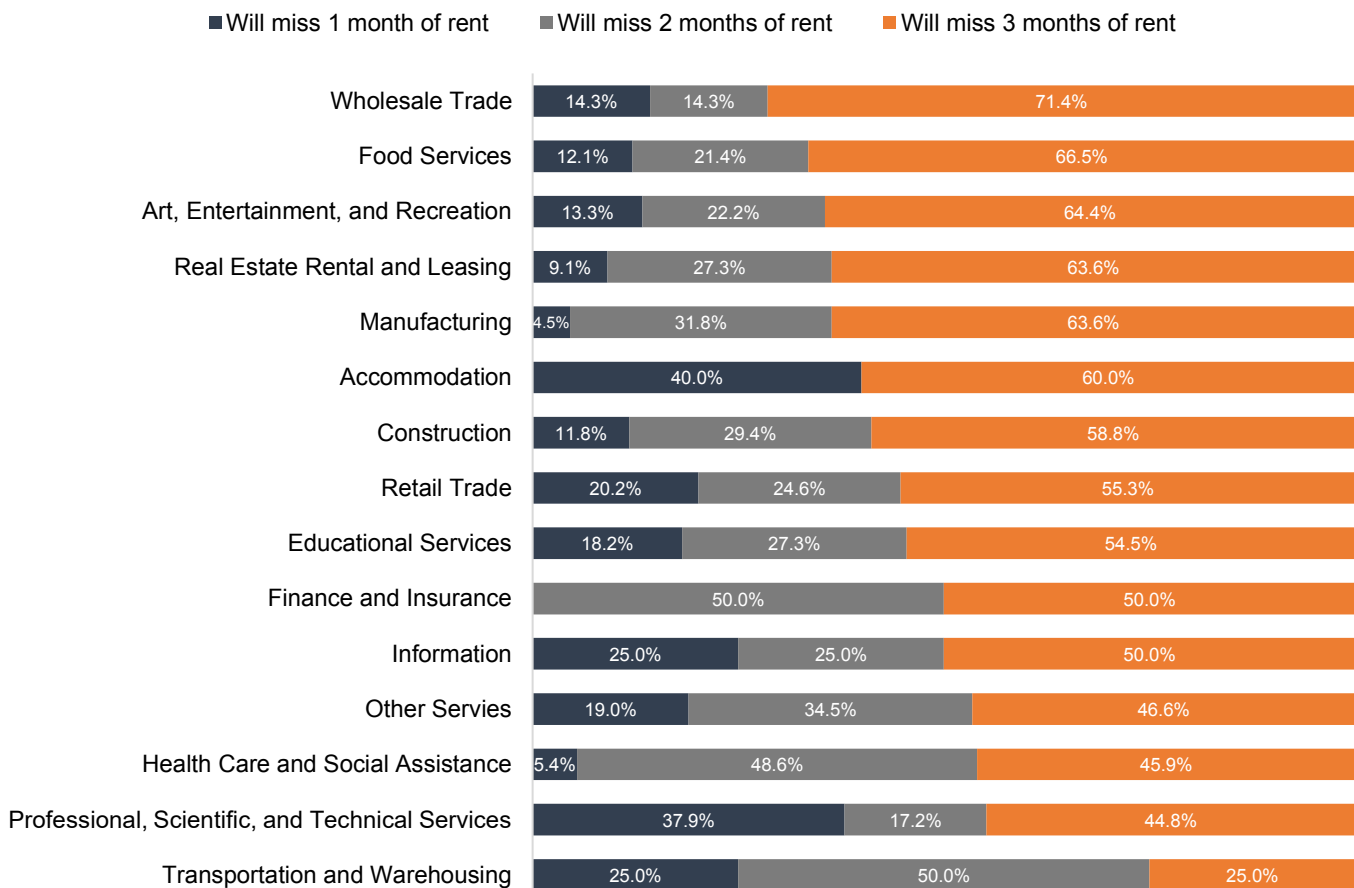
**7 in 10** businesses that are currently closed **will miss a rent payment** between October and December 2020. (N=1,232)





Of businesses that expect to miss rent payments, **58.3%** expect to be **unable to pay 3 months of rent in full** between October to December 2020.  
(N=566)

**55.3%** of retail businesses that expect to miss rent, expect to miss **3 months** of rent. (N=566)

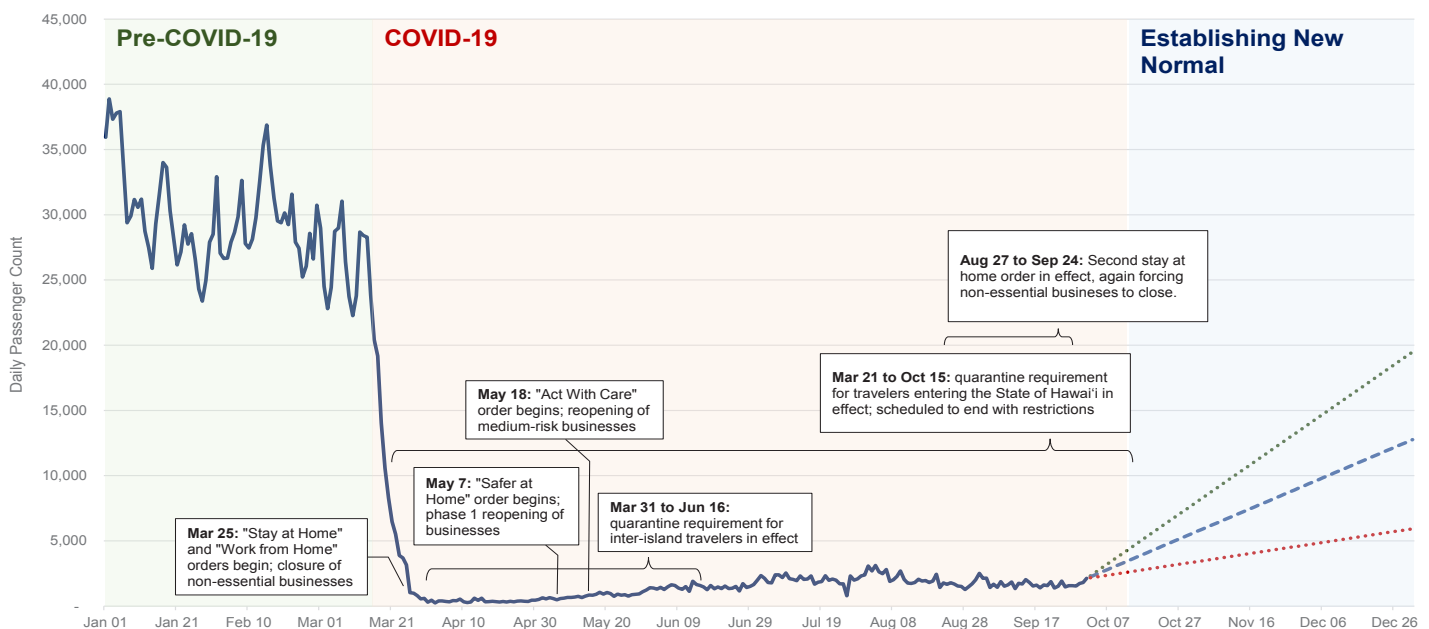


# Conclusion

Businesses looked forward to government's plans to further reopen the economy and prepared for it by spending monies to provide protective equipment, rehire employees, and purchase inventory. The September stay-at-home order and transpacific travel delays have **increased permanent business closures** and have many businesses asking whether they will be able to continue.

**Businesses have not been able to pay rent, have accumulated months of rent burden, and are expecting to miss further rent payments.** As tourism is expected to be below pre-COVID-19 levels in the new normal (over the next three years)<sup>1</sup> and with safety regulations affecting business capacity and service, businesses already operating with thin margins will struggle to break even before accounting for repayment of accumulated rent. Landlords have provided more rent restructuring for tenants since the July Hawai'i Commercial Rent Survey, and more is needed, but landlords also have their own expenses to pay for.

**Commercial Rent relief will be necessary for many businesses to survive,** and lease restructuring would allow landlords and tenants to redefine lease terms, accommodating market conditions in the new normal. Financial aid for landowners would help incentivize them to do so.



<sup>1</sup> "UHERO State Forecast Update: Hawaii in early stages of recovery, then a setback" UHERO, September 25, 2020

