

3RD

**HAWAI'I
COMMERCIAL
RENT SURVEY**
WITH NATIONAL OVERLAY



Thank you
to our partners for making this survey possible





Greetings,

The results of the Third Hawai'i Commercial Rent Survey with National Overlay are in, show the commercial rent situation continues to worsen. In each of the three Hawai'i Commercial Rent Surveys, the number of businesses that have missed rent and expect to miss rent going forward continue to increase, despite PPP and other financial assistance.

1,205 business owners told us:

- 56% of businesses are impacted significantly by COVID-19.
- Six in 10 experienced a drop in revenue of over 30% in 2020.
- Five in 10 expect the same revenue decrease in 2021.

The vast majority of businesses surveyed said they received federal assistance. Despite this:

- 49% expect to miss at least one full rent payment between January and June 2021.
- Only 5% have been able to restructure their lease.
- Only 15% received rent reduction.
- 63% of businesses don't think their business can survive in 2021 without government-funded commercial rent relief.

Numbers like these are why we're pushing the government to help us with commercial rent relief. We will keep lobbying for federal and local aid, and we ask that if you have a chance to do so in your community, you add your voice to that effort.

Thank you to the many contributors who helped us spotlight the need for commercial rent relief including partner organizations who made this series of quarterly surveys possible.

Please contact us if you have any questions or concerns.

Sincerely,

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4Q 2020 Survey Respondents

1,205 total business respondents

broken down into **19** primary industries.

(N=79 **Non-Hawai'i**, N=1,126 **Hawai'i**)



Non-Hawai'i

Hawai'i

Employed under 50 full-time equivalent employees at the end of 2019.

81.0%

(N=79)

94.7%

(N=1,090)

Earned < \$1 million in estimated annual revenue in 2019.

50.7%

(N=73)

72.3%

(N=1,063)

Respondents' property landlord is located within the same state.

83.9%

(N=62)

78.8%

(N=1,001)

Respondents do not pay percentage rent above their base rent.

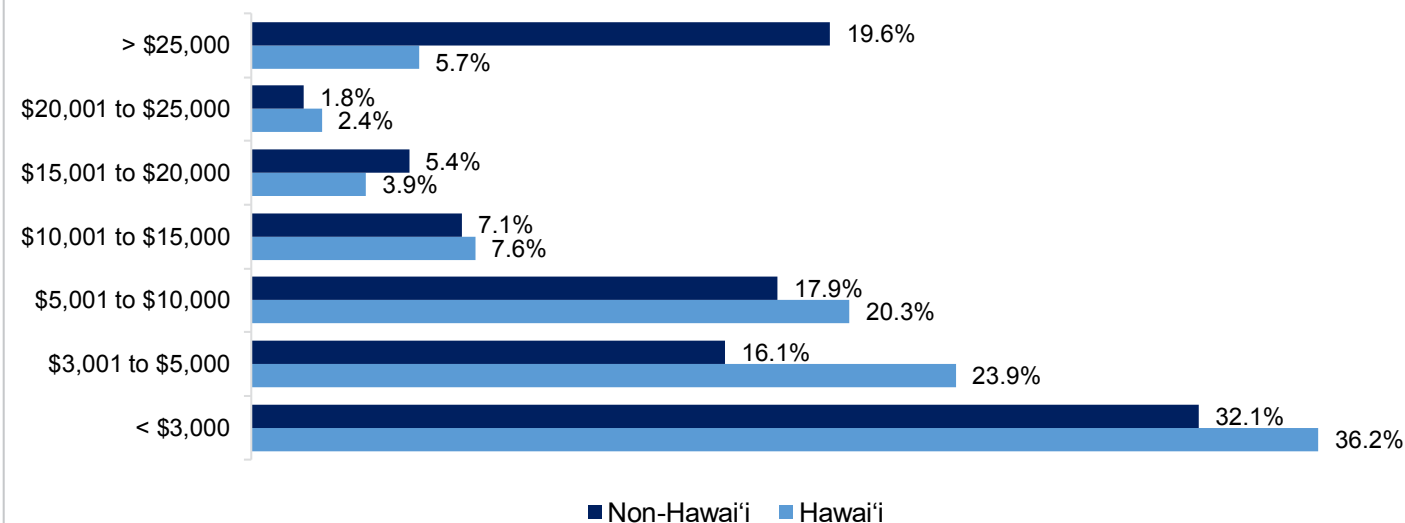
85.7%

(N=56)

77.4%

(N=968)

Monthly Rent Payments in 2020



Non-Hawai'i

Hawai'i

Monthly base-rent payment is
≤ \$10,000.

66.1%

(N=56)

80.4%

(N=965)

Respondents with > 25% of their
revenue coming from tourism.

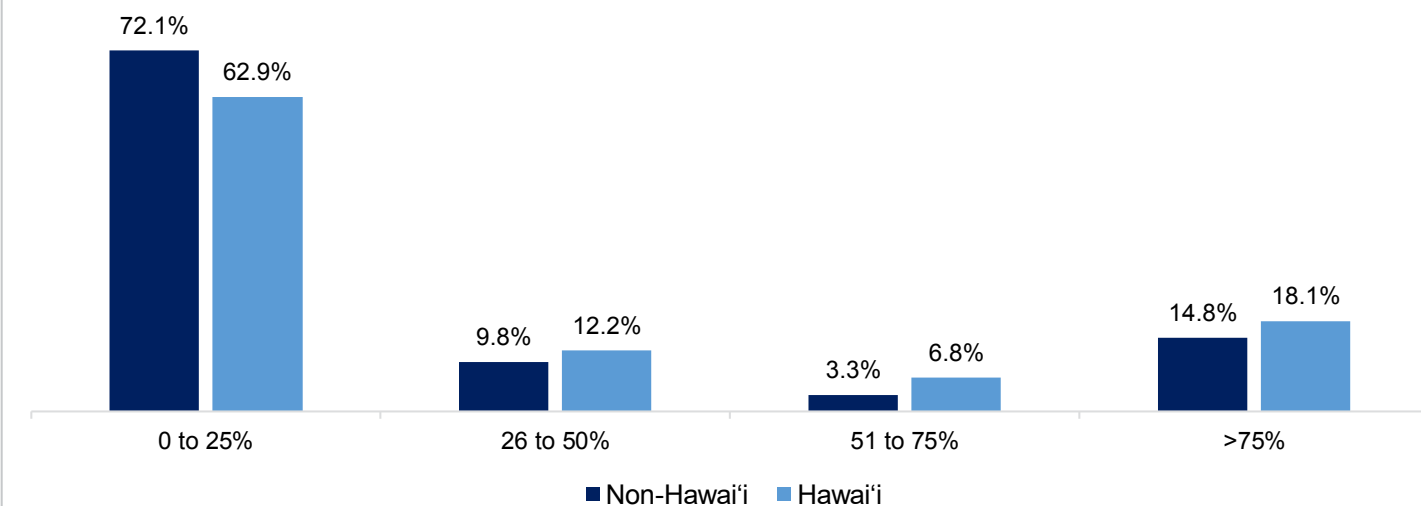
27.9%

(N=61)

37.1%

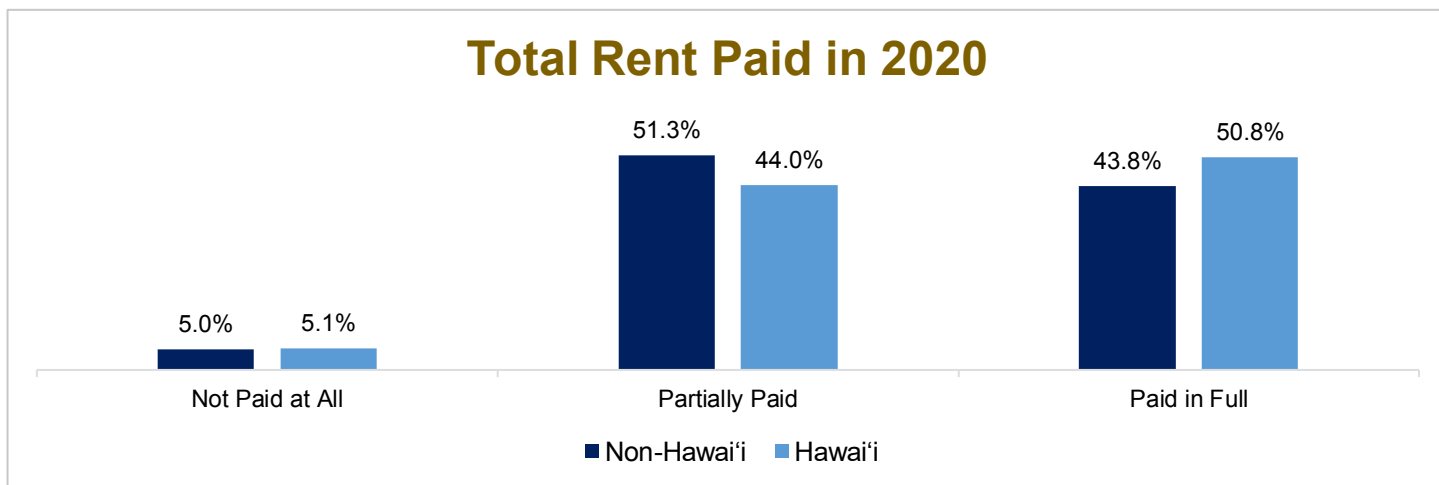
(N=1,004)

Revenue from Tourism

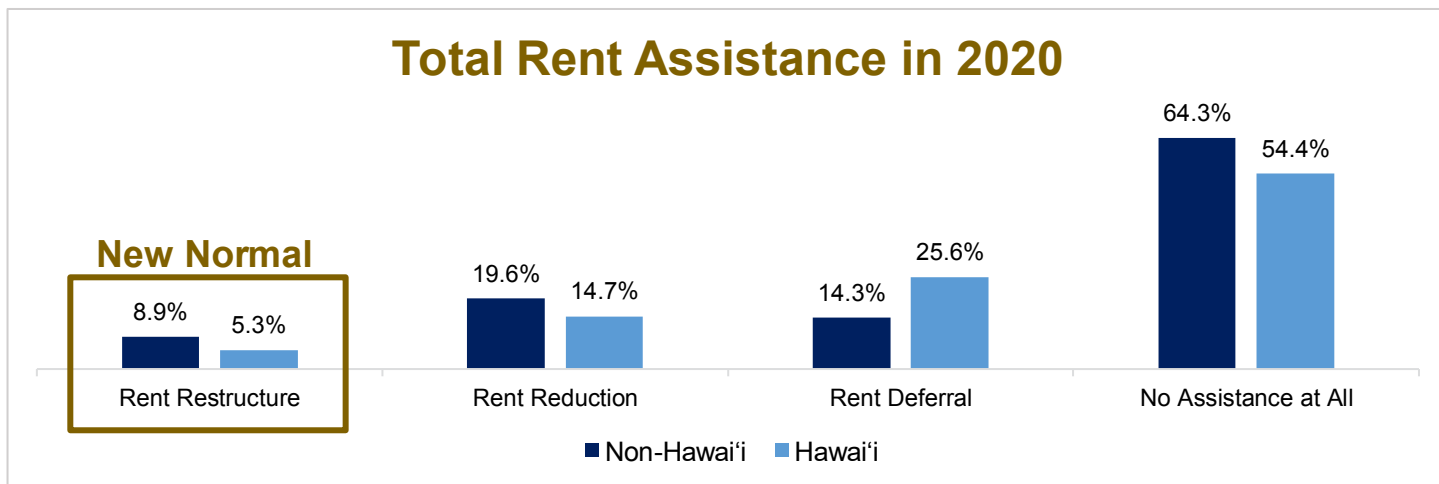


4Q 2020 Rent: COVID-19 Impact & Relief

From April through December 2020, **56.3%** of **Non-Hawai'i** businesses **did not pay rent in full** compared to **49.1%** of **Hawai'i** businesses. (N=80 **Non-Hawai'i**, N=980 **Hawai'i**)

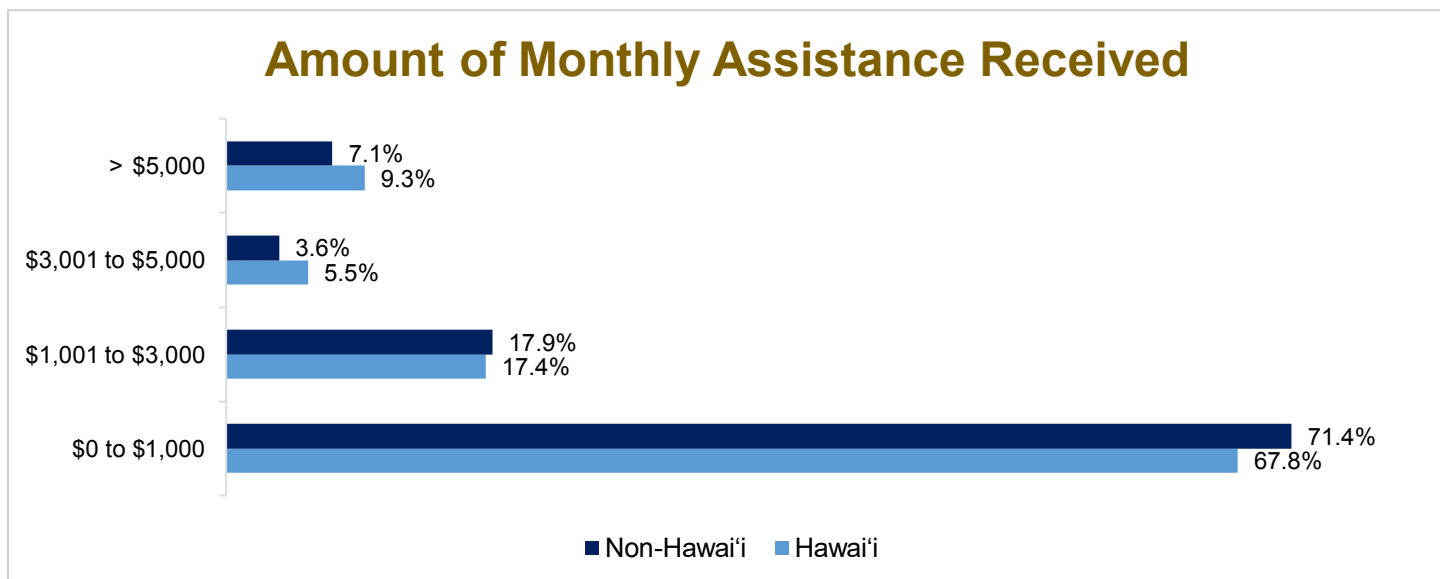


64.3% of **Non-Hawai'i** businesses **have not received any rental assistance** at all from their landlord compared to **54.4%** of **Hawai'i** businesses. (N=60 **Non-Hawai'i**, N=1,059 **Hawai'i**)



8.9% of **Non-Hawai'i** rental agreements have been restructured compared to **5.3%** of **Hawai'i** rental agreements. (N=60 **Non-Hawai'i**, N=1,059 **Hawai'i**)

89.3% of **Non-Hawai'i** businesses received ≤ \$3,000 of assistance per month of rent compared to **85.2%** of **Hawai'i** businesses. (N=28 **Non-Hawai'i**, N=506 **Hawai'i**)



4Q 2020: Business Assistance

Received financial support from PPP and/or the Small Business Administration relief programs.

Non-Hawai'i

75.4%

(N=57)

Hawai'i

83.5%

(N=951)

Received assistance from their counties' grant programs to small businesses.

32.7%

(N=55)

74.3%

(N=950)

Received loan deferrals from their bank.

25.5%

(N=55)

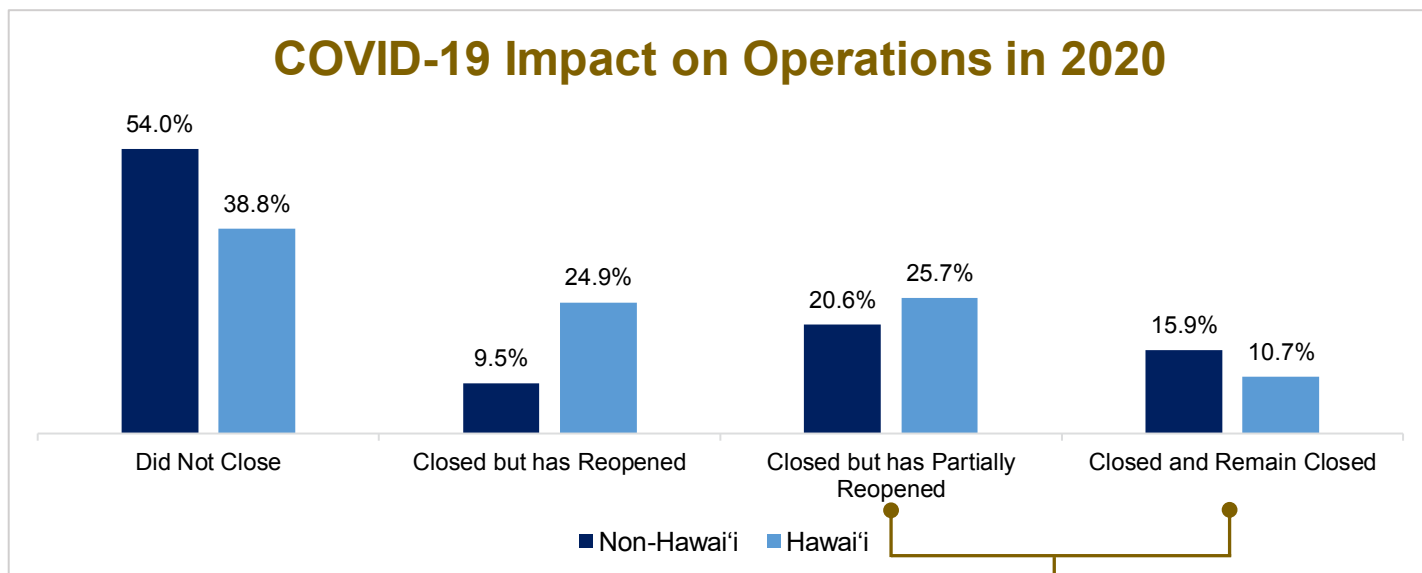
18.6%

(N=944)

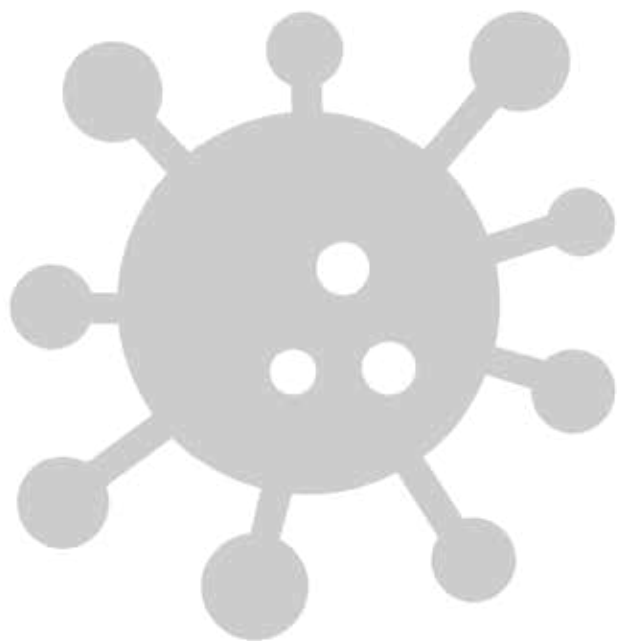
4Q Revenue & Operations: COVID-19 Impact

46.0% of **Non-Hawai'i** businesses have closed due to the pandemic compared to **61.2%** of **Hawai'i** businesses.

(N=63 **Non-Hawai'i**, N=1,013 **Hawai'i**)



36.5% of **Non-Hawai'i** businesses remain closed or have only partially reopened compared to **36.3%** of **Hawai'i** businesses.
(N=63 **Non-Hawai'i**, N=1,013 **Hawai'i**)



The majority of businesses reported **some degree of hardship** imposed by COVID-19 on their ability to pay operating expenses.

Non-Hawai'i

Hawai'i

Reported some degree of hardship to pay **rent**.

73.6%

90.3%

Reported some degree of hardship to pay **employees**.

69.4%

87.0%

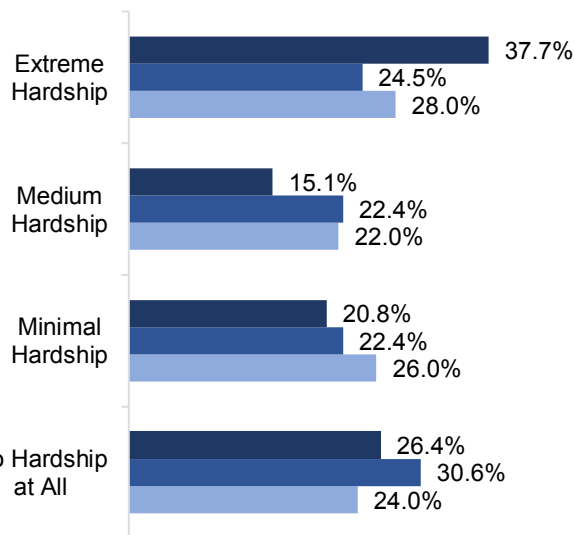
Reported some degree of hardship to pay **operating expenses**.

76.0%

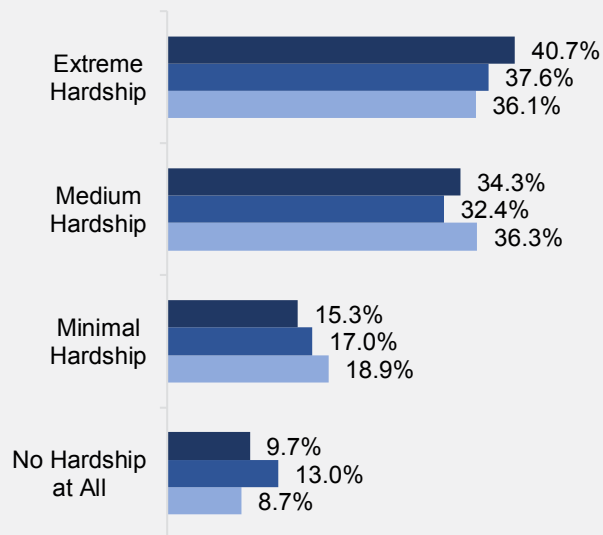
91.3%

Degree of Hardship to Pay Operating Expenses in 2020

Non-Hawai'i



Hawai'i



■ Rent



■ Employees



■ Operating Expense

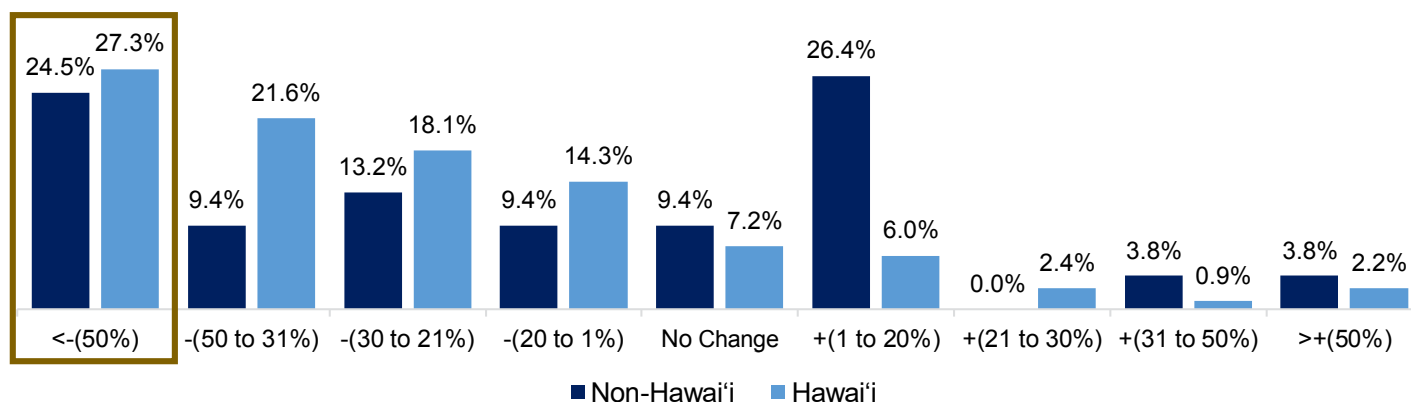
No Hardship at All = 100% able to pay; **Minimal Hardship** = greater than 90% probability of being able to pay; **Medium Hardship** = 75-89% probability of being able to pay; **Extreme Hardship** = less than 75% probability of being able to pay.

4Q 2020 Business Outlook: New Normal

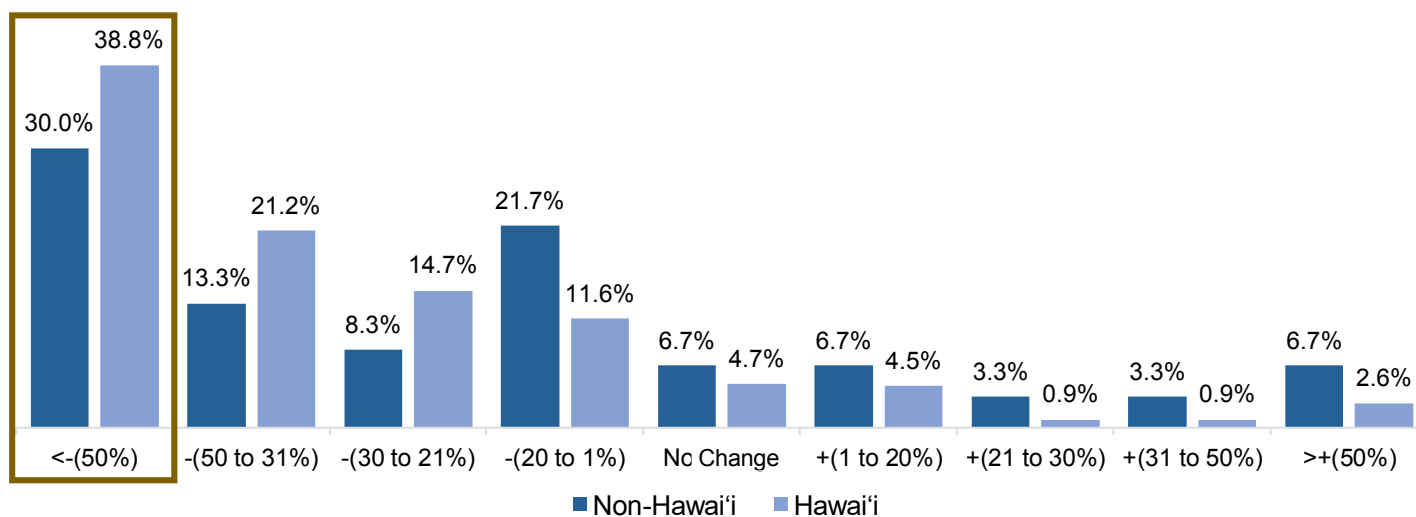
24.5% of **Non-Hawai'i** businesses expect their annual revenue to decline > 50% in 2021 versus **27.3%** of **Hawai'i** businesses.

(N=53 **Non-Hawai'i**, N=851 **Hawai'i**)

Revenue Outlook in 2021



Revenue Change in 2020

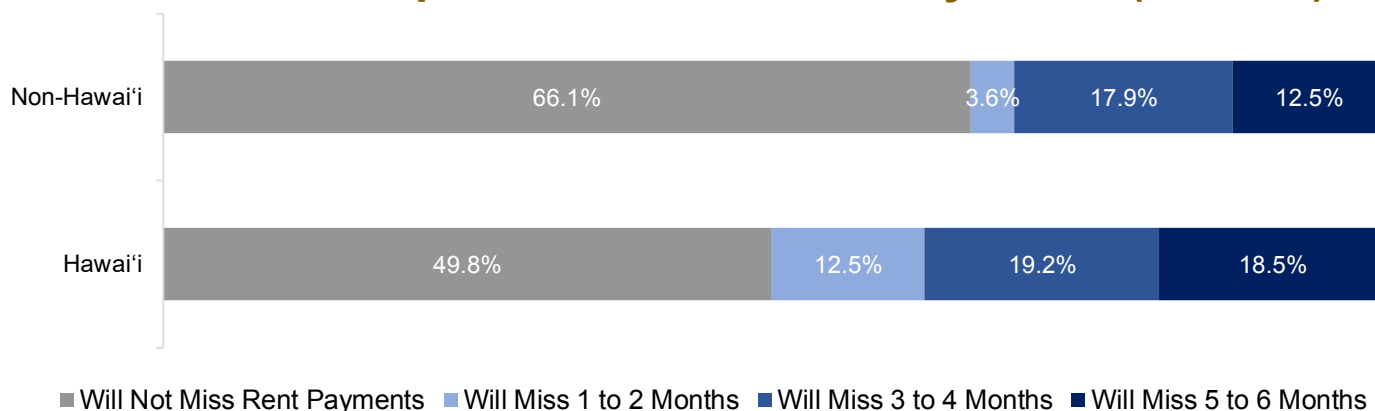


30.0% of **Non-Hawai'i** businesses saw their annual revenue decline > 50% in 2020 versus **38.8%** of **Hawai'i** businesses. (N=60 **Non-Hawai'i**, N=1,017 **Hawai'i**)

4Q 2020 Rent Outlook: New Normal

Survey results reflect the **need for commercial rent assistance**. Many businesses have permanently closed their doors and laid off employees in 2020 due to the commercial rent burden compounded with the realities of doing business in the new normal and **many don't expect to survive through 2021 without government-funded rent relief**.

Businesses Expected to Miss Rent Payments (1H2021)



33.9% of **Non-Hawai'i** businesses expect to miss at least one full rent payment between January and June 2021 versus **50.2%** of **Hawai'i** businesses.
(N=56 **Non-Hawai'i**, N=942 **Hawai'i**)

30.4% of **Non-Hawai'i** businesses expect to miss at least 3 to 6 months of full rent payments between January and June 2021 versus **37.7%** of **Hawai'i** businesses. (N=56 **Non-Hawai'i**, N=942 **Hawai'i**)

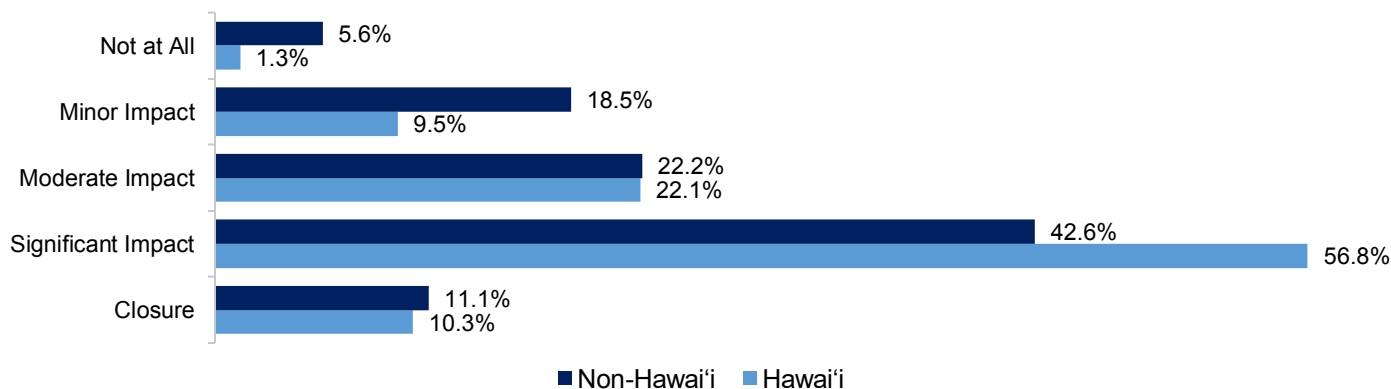


4Q 2020 Survivability Outlook: New Normal

1 in 2 Non-Hawai'i businesses were significantly impacted or closed due to government restrictions in 2020. (N=54)

2 in 3 Hawai'i businesses were significantly impacted or closed due to government restrictions in 2020. (N=945)

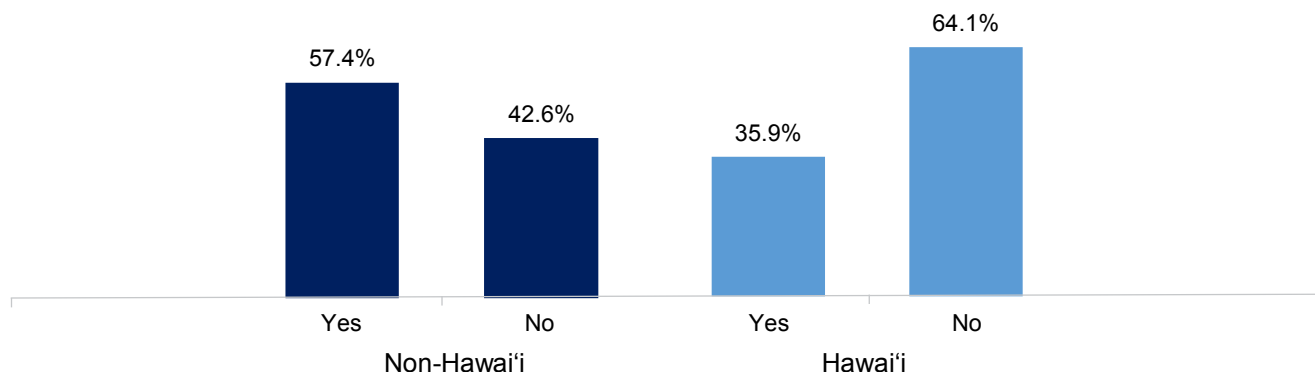
Impact of Government Restrictions in 2020



2 in 5 Non-Hawai'i businesses do not expect to survive in 2021 without government-funded commercial rent relief. (N=54)

2 in 3 Hawai'i businesses do not expect to survive in 2021 without government-funded commercial rent relief. (N=938)

Expect to Survive in 2021 w/out Government-Funded Rent Relief



Conclusion

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 slow economic recovery, safety regulations affecting business capacity and service, and businesses already operating with thin margins continue to struggle to break-even before adding deferred payments of accumulating back rent.

Federal government stimulus directly supporting businesses through commercial rent assistance is needed. The second round of PPP is underway, helping to keep individuals employed, but where will these individuals be employed if businesses are forced to permanently close due to accumulated rent and expenses resulting from COVID-19 related impacts considerably reducing their income-generating capability?

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

