

HAWAII NEWS

Vacation rentals: Oahu supply dropping amid city crackdown

By [Allison Schaefer](#) • Nov. 26, 2019

The number of vacation rentals on Oahu dropped in October, the second month of declines since a city crackdown on illegal rentals took effect.

Ordinance 19-89, which took effect Aug. 1, makes it illegal on Oahu to advertise a vacation rental that is not properly permitted or not inside a hotel-resort zone. It also raised fines for recurring short-term rental violations to \$10,000 per day from \$1,000 per day.

Since Aug. 1 the city Department of Planning and Permitting has issued 225 letters, known as notices of violations, to short-term rental owners, of which 131 have been corrected, said DPP spokesman Curtis Lum. Only 14 “notice of order” letters, which come with potential fines, have been issued by the city to owners who failed to take timely corrective action, Lum said.

According to a vacation rental report released recently by the Hawaii Tourism Authority, Oahu’s supply of available vacation rental unit nights in October dropped 5% since a year ago. Most of the drop came outside of Waikiki. Oahu’s supply of vacation rentals outside of Waikiki fell 23.4% in October.

Meanwhile, Maui, Hawaii island and Kauai all posted double-digit gains in supply of vacation rentals in October and September — as did Waikiki, where more of the vacation rental inventory is permitted and where recent legal proceedings have caused the city to back off regulating some mixed-use buildings, such as the Waikiki Banyan.

In October, Waikiki vacation rental supply was up 23% from October 2018. The results were even stronger than in September when the supply of available Waikiki vacation rental unit nights rose nearly 19%.



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“Absolutely, you can make the connection that dropping vacation rental supply on Oahu is due to vacation rental regulations. It was going up on Oahu until enforcement started, and the impact has been mostly outside of Waikiki,” said Erik Kloninger, whose firm Kloninger & Sims Consulting LLC assisted Transparent Intelligence in preparing HTA’s Hawaii Vacation Rental Performance Report.

Vacation rental supply is measured in “unit nights,” meaning the number of nights in a month that a vacation unit is available to rent. The total unit nights for Oahu in October was 257,264, which means there were more than 8,300 vacation units for rent in the month. The actual number of units available for rent could be several hundred more because not all units were available all 31 days in October.

While all counties now have some form of vacation rental controls in place, Kloninger said Oahu’s new law has been particularly onerous for owners, and sometimes confusing as evidenced by the fact that some units that had dropped out in September were back in October.

Kloninger said October’s supply was higher than in September when vacation rental supply on Oahu had dropped to 241,811 unit nights, a 7% decline from the prior year.

“Ultimately, how the regulations play out is still very much up in the air,” Kloninger said. “Some people have exited the platforms (such as Airbnb), but there are a lot of people that are trying to figure out how to make it work with their understanding of the regulations and the enforcement.”

Kloninger said he is interested to see whether more Oahu vacation rental owners jump back into the system next month using the one-rental-in-30-days approach that was agreed on between the city and a vacation rental association.

Early last month the city settled with the Kokua Coalition, also known as the Hawaii Vacation Rental Owners Association. Their agreement allows unpermitted vacation rentals to continue to operate as long as the rental agreement is for no less than 30 days and the property owner does not rent to more than one party during that 30-day period.

On Oct. 17, Waikiki Banyan condominium owners also received a courtroom stay temporarily preventing the city from enforcing the new law. The Waikiki Banyan — an 876-unit, twin-tower complex at Kuhio and Ohua avenues — has been operating as a condominium hotel since it opened in 1979. Before the court order, the city had said most Waikiki Banyan units were not legally permitted to be rented short term.

Waikiki Banyan owners hope the city will agree to designate their building as legal for hotel use. While they are working on the agreement, the city will not enforce the new law against Waikiki Banyan owners.

While the Kokua Coalition settlement and the Waikiki Banyan order address confusion for some owners, they also muddle perceptions about the city’s enforcement reach.

“Enforcement under the 30-day rental approach becomes very challenging,” Kloninger said. “Does it put DPP in a position where they will have to track every vacation rental’s calendar?”

The October data can’t show how the current softening of supply in Oahu’s vacation rental market will play out over time, but it does continue to back up historical trend lines. Hawaii has experienced record levels of visitor arrivals over the last seven years but posted only minimal increases in traditional lodging units, such as hotels, condominium hotels and timeshare resorts.

Statewide hotel demand in October increased more than 2% to more than 1.3 million occupied room nights. In contrast, vacation rental demand increased nearly 22% to 689,669 occupied unit nights.

“It’s a fast-growing market. Even on Oahu October demand is up 0.8%, while supply is down. The limited supply is contributing to upward yield on the rate. Oahu had the highest increase in October average daily rate for vacation rentals of all the counties,” Kloninger said.

In October, Oahu hotels were 82.6% occupied, a year-over-year gain of 1.3 percentage points, and yielded an average daily rate of \$239, which was up a scant 0.9%. In contrast, occupancy at Oahu vacation rentals rose 4.3 percentage points year-over-year to 72.4%, and average daily rate rose nearly 14% to \$160.

VACATION UNIT SUPPLY FOR OCTOBER

ISLAND / 2019 / 2018 / % CHANGE

Oahu 257,264 271,445 -5%

Maui 323,332 251,128 29%

Hawaii island 225,100 193, 978 16%

Kauai 144,008 110,559 30%

Source: HTA

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