

SUPPLEMENT

MARKET OPPORTUNITIES STUDY
OCTOBER 2012



KEYSER MARSTON ASSOCIATES.

MARKET OPPORTUNITIES

The City and County of Honolulu (City) has initiated preparation of the Ala Moana Neighborhood Transit Oriented Development (TOD) Plan along the planned new elevated transit line in Honolulu. The purpose of the overall assignment is to promote transit oriented land uses and improve neighborhood quality and character of the areas around the transit station.

The new 20-mile elevated rail system is planned to connect East Kapolei to Ala Moana Center and will consist of 21 stations. As a general rule, existing development in the ewa area of the island is less intense than in the existing built areas of the “urban” stations. According to the Environmental Impact Statement (EIS), it is projected that the transit line will be built out in 2019, and by 2030 it is estimated that there will be approximately 116,000 annual boardings. This Market Opportunities Study is intended to evaluate the time period from today to the year 2035.

1) INTRODUCTION/PURPOSE

This report, prepared by Keyser Marston Associates, Inc. as a sub consultant to RTKL, assesses the potential market demand for a variety of residential and commercial land uses consistent with TOD principles and to identify the opportunities and constraints for development of those types of uses. More specifically, this study examines the following uses:

- Residential
- Retail
- Office
- Hotel

This Market Opportunities Study is a companion document to the Existing Conditions Report prepared by RTKL, which describes in more detail the existing conditions around the Ala Moana station. The Market Opportunities Study will help the City make decisions with respect to potential TOD land uses that might be accommodated around the station.

2) ASSUMPTIONS & LIMITATIONS

Keyser Marston has assessed the market demand for the various land uses based on typical market and demand factors for real estate analysis, including historic and projected population and employment, market metrics such as rents, vacancies, and absorption, as well as construction trends. In undertaking this analysis, Keyser

Marston has performed original research as well as obtained data from third parties such as the City and County of Honolulu, the State of Hawaii, the Honolulu Board of Realtors, Claritas (a private data research company), and local real estate brokers, developers and property owners. While Keyser Marston believes data obtained from third parties is reliable, we cannot guarantee its accuracy.

The demand estimates included in this report are based on an examination of historic patterns of new development, the experiences with TOD in other parts of the country, and on Keyser Marston’s professional judgment with respect to TOD opportunities around the Ala Moana station. However, because the study area is a largely built-out environment, in order for much of the potential new demand to be accommodated redevelopment of existing properties will be required. Keyser Marston’s scope of work for this assignment does not include an assessment of financial feasibility of specific projects.

Finally, the market demand assessment is undertaken without respect to current zoning designations. If the market demand conclusions drawn in this report are to be fully implemented (i.e. residential units, retail building square feet, etc.), it may be necessary to modify current zoning for factors such as building heights, bulk, floor area ratio, etc.

3) TRANSIT ORIENTED DEVELOPMENT

In general terms, TOD is defined as development around transit stations that is at medium to high densities and that encourages transit ridership. The goals of TOD are to be pedestrian and bicycle friendly so as to encourage non-automobile forms of transportation and to encourage mixed use development so that residents, employment centers, and services are within convenient proximity of each other. The typical TOD catchment area is typically a five- or ten-minute walk from the station, or up to about a 0.5 mile. The Ala Moana station will be located along Kona Street between Kona Iki and Keeaumoku streets.

The potential benefits of TOD are many:

- Decreased traffic congestion;
- Cost savings from decreased dependence on private vehicles for transportation and for parking;
- Preservation of open space by accommodating new growth in higher density developments;
- Decreased generation of greenhouse gasses from lower private auto use;
- Promotion of healthier lifestyles by encouraging more walking and bicycling;
- Increased property values;
- Generation of fiscal benefits to the City and County through new development and redevelopment of properties around the transit stations

However, for a variety of reasons TOD can also be difficult to accomplish. Since TOD is at higher densities, the associated construction costs are also higher. TOD within existing built neighborhoods is further challenged by the need to assemble development sites, relocate existing tenants or buy out existing leases, demolish buildings to clear the way for new construction, replace public infrastructure, and coordinate development efforts among sometimes numerous small property owners.

4) ALA MOANA STATION AREA

Ala Moana is a diverse, densely developed neighborhood with a mix of residential, retail, office, hotel, and public uses. The most prominent single development within the area is the 2 million square foot Ala Moana shopping center (Ala Moana Center), one of the largest and busiest

malls in the country. Other prominent developments in the area include McKinley High School/Adult Education Center, Neal Blaisdell Center, the Honolulu Convention Center, and Walmart/Sam's Club. The area is also home to Ala Moana Park, a large beachfront park popular with both locals and visitors.

As defined in the City's Ala Moana-Sheridan Community Plan, the Ala Moana area is comprised of six distinct neighborhoods or subareas, each with its own character, mix of land uses, and market orientation – the Ala Moana shopping center area, the Sheridan residential tract, the Kaheka District, the Kapiolani Corridor, the Keeaumoku Corridor, and the Civic District.

- **Ala Moana Center** – Ala Moana Center is a major destination shopping center for both tourists and locals. First built in 1959, the mall has been expanded several times and is now comprised of 2 million square feet with anchor department stores Macy's, Sears, Neiman Marcus, and Nordstrom. The center is one the largest and highest sales-generating shopping centers in the country and is a major employer in Honolulu. The mall is owned and operated by General Growth Properties.
- **Sheridan Tract** – The Sheridan Tract is a predominantly residential area roughly bounded by Kapiolani, Pensacola, South King, and Sheridan. The



District Plan

Sheridan Tract is a mature residential neighborhood characterized by a mix of small single family detached homes and low-rise apartment buildings. There is also an eclectic mix of other uses in the Sheridan Tract such as small scale retail, auto repair, and even a dairy (Meadow Gold). Of significance, the blocks on the ewa side of Piikoi are within the land use regulatory jurisdiction of the State's Hawaii Community Development Authority (HCDA) rather than the City and County of Honolulu.

- ***Kaheka District*** – The Kaheka District straddles both sides of Kaheka Street and is sometimes referred to as “K-Town”. It is characterized by the predominance of Korean- or Asian-oriented businesses including such establishments as the Palama Supermarket, Don Quijote Supermarket, and Sorabol Restaurant. The Kaheka District's residential units are predominantly rental apartments of which many are occupied by seniors. The Kalakaua public housing project is also located in the Keheka District.
- ***Kapiolani Corridor*** – Kapiolani Boulevard is a major corridor running through the Ala Moana area connecting Ala Moana with downtown and the Kakaako District on the ewa side and Waikiki on the Diamondhead side. Given the underutilization of several properties along this corridor, Kapiolani provides opportunities for redevelopment and TOD near the new Ala Moana rail station.
- ***Keeaumoku Corridor*** – Keeaumoku Street is a major corridor anchored by Ala Moana Center on the makai side and extending mauka to the H-1 freeway and residential neighborhoods. The recently completed Walmart/Sam's Club development is a dominant presence on the Keeaumoku Corridor. Keeaumoku is a busy transportation corridor and similar to Kapiolani, holds the opportunity to intensify its development pattern to take advantage of its convenient proximity to the new rail station.
- ***Civic District*** – On the ewa side of the Ala Moana planning area is the Civic District, which is comprised of McKinley High School/Adult School and the Neal Blaisdell Center. There are currently no firm plans to significantly redevelop these properties.

Also within the 0.5 mile planning area of the Ala Moana station are properties in the Kaka'ako area, which is within the land use regulatory jurisdiction of the HCDA. On the ewa side of Piikoi, several high rise residential developments (400'+) have been built under HCDA's oversight.

5) REDEVELOPMENT OPPORTUNITIES

Given the fact that the Ala Moana area is mostly built out, the opportunities for major development will require redevelopment of existing built properties. One of the factors that contributes to the difficulty of accomplishing any large scale redevelopment in Ala Moana is the predominance of small land parcels paired with a pattern of multiple property ownerships. In order to assemble a development site large enough to support high density development in an efficient manner, a developer would have the challenge of reaching agreement to purchase multiple parcels from multiple owners.

In addition, many properties in Ala Moana have relatively healthy rents that generate significant cash flow for existing property owners, which drives up property values. Therefore, a redevelopment project would have to be large enough to support the high cost of property/land acquisition in addition to the high costs of construction common to all high density projects in Honolulu.

Adequacy of existing Infrastructure (streets, water, sewer, etc.) could also present a challenge for accomplishing new redevelopment in Ala Moana. As noted in the Ala Moana Existing Conditions Report, new funding and financing mechanisms may need to be considered in order to build new infrastructure such as community facilities district (CFD) financing and tax increment financing (TIF).

From a market perspective, it needs to be emphasized that there are significant plans for redevelopment in the neighboring Kakaako area under the primary ownership of Kamehameha Schools and the Howard Hughes Corporation. The Kakaako area is planned for thousands of residential units and hundreds of thousands of square feet of commercial development. The ultimate timing of development in Ala Moana will be dependent to some degree upon the pace of development in Kakaako.

6) DEMOGRAPHICS & EMPLOYMENT

For purposes of the market demand analysis, Keyser Marston obtained population and demographic data from Claritas for the 0.5 mile planning area around the Ala Moana station. Claritas estimates that the population of the 0.5 mile radius will be about 15,900 in 2013, the average household size 1.87, and the median household income about \$43,000 (see attached Table 1).

In terms of economic activity, much of the State of Hawaii's economy is based on tourism or the military/government, with about 32% of the Gross State Product generated by these industries¹ and much of the economic activity supporting other job sectors such as retail and real estate is generated by the tourism and government sectors. In the Ala Moana-Kakaako subarea of the City, over 60% of the jobs are focused in two categories: services and retail² (see Table 4).

7) RESIDENTIAL CONDOMINIUMS & APARTMENTS

Residential market conditions in Honolulu experienced a downturn during the recession, which was demonstrated by a decline in condo values, number of sales, and new construction permits. Notably, there were also several projects that were halted mid-construction and sold to new developers as a result of financial problems including the Pacifica Honolulu project (formerly Moana Vista).

The residential market has experienced a resurgence recently however, with values on the rise and several new project either recently breaking ground or ready to begin construction:

New Projects within the 0.5 mile Ala Moana planning area (list is not necessarily all-inclusive)

- Howard Hughes condominium project atop Nordstrom parking lot
- Samkoo-owned condominium project on Kapiolani
- Waihonua at Kewalo condominium project by Alexander & Baldwin on Waimanu near Piikoi (in construction)
- Cuzco Development-owned site on Keeaumoku

New Projects nearby but outside 0.5 mile Ala Moana planning area (list is not necessarily all-inclusive)

- "Symphony" condominium project on Ward Avenue across from Blaisdell Center
- Star Advertiser site
- 690 Pohukaina project adjacent to Mother Waldron Park (HCDA sponsored)
- Holomua condominium project at Young and Kalakaua (in construction)

Despite continuing challenges in most housing markets on the mainland, Honolulu has rebounded due to demand/supply imbalances, record low mortgage interest rates, low returns in stocks, bonds, and other investments, and other factors. City data indicates that residential building permits for 5+ unit buildings increased from a low of less than 150 in 2009 to about 1,000 in 2010 and 980 in 2011 (see Table 5). The average number of multi-family building permits over the past 20 years was about 1,200 per year.

Ala Moana is a high value area due to its convenient location near the waterfront, Waikiki, Ala Moana Center, and the Convention Center, thus making it a convenient location for visitors. It is also a convenient location for locals to live given its close proximity to job centers including Downtown, Civic Center, retail establishments, as well as the nearby hotels and other tourist-based businesses.

With regard to rental apartments, there has been almost no new development of market rate apartments in Honolulu in many years, a reflection of the discrepancy between the values of for-sale condominiums vs. those supported by apartment rents. The rental housing stock in Honolulu is generally a combination of older market rate apartments, public housing or other subsidized housing, and for-sale condominiums that owner/investors are renting. Rental rates for condominium units vary considerably from project to project depending on location and amenities, and can range from about \$1,700 per month to well over \$2,000 for a two-bedroom unit.

The new transit line will further strengthen new opportunities for residential housing growth to the Ala Moana planning area. Studies have shown that new transit

¹ Enterprise Hawaii

² Honolulu Department of Planning and Permitting



lines promote growth of higher density housing units within close proximity of the stations, particularly when they are located in mixed use areas near jobs and cultural/entertainment amenities³. Studies have also shown that these types of neighborhoods are a draw particularly for empty-nesters looking to downscale, as well as young, single people not yet ready to purchase a larger home. Combined with the fact that traffic congestion is already a major problem in Honolulu, it is likely that there will be growing demand for TOD housing in the Ala Moana planning area.

Keyser Marston has estimated the range of new TOD housing units in the Ala Moana planning area. There are currently about 8,400 housing units within 0.5 mile radius of the Ala Moana station, which represents about a 2.47% share of the 340,000 housing units in all of Honolulu⁴. Keyser Marston estimates that once the transit line is fully operational, the Ala Moana station planning area (0.5 mile radius) could eventually add in the range of 3,000 new housing units. This would increase Ala Moana's share of Honolulu's total housing units from 2.47% to 2.74% based on the City's projection of 416,000 total housing units in all of Honolulu in 2035 (about a 4% share of the regional increase). This range is based on the characteristics of the station area and on data that demonstrates that higher density housing tends to cluster around transit stations.

It is likely that the new transit line once it is fully operational will contribute toward the economics of redevelopment projects. Empirical studies of the economic impacts of transit indicate that the value of residential condominiums with close proximity to transit can be increased by up to 18% and apartment values by up to 45%⁵. Given its locational advantages and given prospects for higher values due to transit, it appears that there are strong economic, market, and demographic factors in favor of more residential growth in the Ala Moana planning area.

8) RETAIL

The Ala Moana area is already a major retail destination due to the dominant presence of the Ala Moana Center, Walmart/Sam's Club, as well as more local oriented markets and restaurants. In general, retail market conditions in Honolulu historically have been quite strong. Average retail rents in Honolulu are currently in the rough

range of \$3.00 and \$4.00 per square foot and the average vacancy rate is about 4% (see Table 8).

In order to assess the amount of additional retail that might be supported in the study area, Keyser Marston analyzed retail sales data for the Ala Moana area. This analysis indicates that there is a significant influx of retail sales into the planning area; that is, stores within Ala Moana generate sales from a trade area far larger than the immediate area itself. This result is expected given the presence of Ala Moana Center and Walmart/Sam's Club.

Keyser Marston has evaluated the amount of TOD-oriented retail that can be supported in the 0.5 mile Ala Moana planning area based on projected household growth, capture rates, and other factors. A preliminary estimate is that there could be support for a total of about 600,000 square feet of new retail by 2035, both to serve new residents of Ala Moana as well as the larger region and the tourist industry (see Table 9)⁶. It is noted that this estimate excludes potential demand from building material/supply stores, general merchandise, and automobile sales because these types of retail uses are generally not consistent with the higher-density, pedestrian-scale principles of TOD, and these types of large-scale retail uses would probably be located outside the planning area going forward in any case.

Based on the largely built out environment of the planning area, new retail opportunities will likely take the form of ground floor retail in mixed-use buildings, redevelopment of some retail establishments on the outer edges of the planning area, and possibly an expansion of Ala Moana Center where parking is currently located. Of critical importance to the success of mixed use and other types of pedestrian-oriented retail is the inclusion of "place-making" amenities including sidewalks, streetscape improvements, street trees, public plazas, and the like, as well as, to the extent possible, traffic calming measures to improve pedestrian and bicycle safety.

3 For example, Hidden in Plain Sight: Capturing the Demand for Housing Near Transit, Center for Transit Oriented Development (September 2004)

4 RTKL and the Honolulu Department of Planning and Permitting

5 Capturing the Value of Transit, Center for Transit-Oriented Development (November 2008).

6 Projections of future retail market demand based on population growth are an "order of magnitude" estimate. A more detailed retail study, which would include a retail void analysis, detailed capture analysis, etc., is beyond the scope of this assignment.

9) OFFICE

Historically, office development in Honolulu has largely been concentrated in the central business district. Most of the office development that has occurred in Honolulu occurred in the late 1980s and early 1990s and in fact, there hasn't been a new multi-tenant office building built in Honolulu since the First Hawaiian Center in 1996. The Ala Moana area is home to several mid-rise office buildings including the Ala Moana office building adjacent to the mall, Pacific Guardian Tower, and the offices for the Hawaii Medical Services Association (HMSA) on Keeaumoku.

The market fundamentals for office space are not favorable at the current time. The central business district vacancy rate was about 15% as of the second quarter of 2012 and the average rent was about \$2.90 per sq. ft. In the near term, there will likely be limited opportunities for new office development given the high cost of construction and the slow recovery of the economy. As the economy stabilizes over the longer term and more healthy growth patterns return, there will likely be demand for new office space which will in turn put upward pressure on office rents. Given the central location of Ala Moana and other locational attributes previously mentioned, Ala Moana would be an attractive location for new office space over the longer term, although the economics of new office development would need to improve significantly to compete with alternative uses such as condominiums.

Keyser Marston has estimated the amount of office space that can be supported in the Ala Moana planning area based on City estimates of employment growth in those job sectors that typically demand office space (such as finance, insurance, and real estate) and a local capture rate that recognizes the value of the new transit line. Based on these projections, it is projected that there could be demand for about 400,000 square feet of new office space within the 0.5 mile planning area (see Table 12).

10) HOTEL

Only a few hotels are located within the 0.5 mile Ala Moana TOD planning area such as the Ala Moana Hotel and the Pagoda Hotel. There are many large resort hotels just outside the planning area on the Waikiki side of the Ala Wai Canal. Given its convenient proximity to

Waikiki, Ala Moana Center, and the Convention Center, the Ala Moana area has the potential to capture new hotel development in the future. However, current zoning in the planning area does not permit new hotel development and therefore current zoning would have to change.

The Honolulu hotel industry is still recovering from the recession. Data from the Hawaii Tourism Authority indicates the number of annual visitors to Honolulu in 2011 (about 4.4 million) remains below the number in the years 2005 to 2007 (about 4.7 million), although the number has improved between 2009 and 2011 (see Table 13). Significant improvement in tourism numbers going forward will require broad improvement in worldwide economic conditions, and particularly in the U.S. and Japan. New development of hotels will also require improvement in the capital markets, as financing for new hotel construction has been extremely difficult to obtain since the financial meltdown in 2008 and 2009.

As the number of visitors to Honolulu continues to increase, there will be a declining ability to accommodate that growth in Waikiki and there will be pressure to develop new hotels in nearby areas such as Ala Moana. KMA would anticipate that hotel use would be looked at seriously by developers as time goes on, assuming it will be permitted by modifications to current zoning. The number of hotel rooms that can ultimately be accommodated will depend upon the availability of developable sites and financial feasibility. New hotel development might also take the form of condo-hotels in which condominium-hotel units are purchased by private owners (sometimes in fractional ownership) and put into a hotel rental pool and managed by a professional hotel operator. In such projects, market demand depends upon market conditions for both hotel and residential uses.

11) CONCLUSIONS

Given the locational strengths of Ala Moana and given the long term pressures of population, tourism and broader growth of the Honolulu economy, over the long term it is likely that there will be both market demand and sufficiently high property values to support the construction of new Transit Oriented Development in the Ala Moana planning area. Based on existing conditions in Ala Moana, an assessment of market data and real estate conditions as summarized in this report, Keyser Marston



believes the TOD might be supported in the Ala Moana planning area within the following broad ranges:

**Ala Moana Planning Area
(Within 0.5 Mile Radius of Station)**

TOD Land Use	Potential Range of New Development Demand by 2035*
Residential	±3,000 units
TOD Retail	±600,000 sq. ft.
Office	±400,000 sq. ft.
Hotel	Future market-driven (TBD)

* Assumes transit system is fully operational by 2019.

It is difficult to estimate the amount and timing of development that might occur in the planning area because there are a number of variables and considerations that are hard to predict or are beyond the scope of this assignment to analyze. These considerations include:

Zoning – As noted earlier in this report, if the market demand conclusions drawn in this report are to be fully implemented, it may be necessary to modify current zoning for factors such as building heights, bulk, floor area ratio, etc.

Parcel Assemblage – In order to accommodate higher densities in the Ala Moana area, small parcels with individual owners will likely have to be assembled in order to create efficiently sized development sites;

Existing Encumbrances – Many properties in the study area have existing property encumbrances (such as leases with existing businesses) that must run their course or be bought out before redevelopment can occur;

Need for Infrastructure – There is a need for new public infrastructure improvements in some parts of the study area, the funding and timing for which is uncertain;

Economic Recovery – There is a need for improvement in broader economic conditions in order to drive up values sufficient to support high construction costs and land values

Since these factors cannot entirely be predicted, it is possible that not all market demand will necessarily translate into new development within this study's 2035 timeframe.

From an implementation perspective, TOD can be encouraged if the City is able to adopt a consistent, well-coordinated set of policies that removes regulatory barriers, prioritizes key infrastructure improvements, and (to the extent possible) assists in lowering the costs of private development. Strategies that can be utilized to encourage successful TOD include:

- Lower parking requirements in TOD areas in order to encourage transit use and lower construction costs on new projects;
- Permit some flexibility in development densities, heights, setback requirements, etc.;
- Coordinate and streamline fees and permits costs on new development and consider lowering fees if appropriate;
- Provide flexibility in how affordable housing and park dedication requirements may be satisfied;
- Target some level of public financial resources for the production of affordable housing so that households of all income ranges can benefit from TOD;
- Consider use of tax increment financing, community facilities district financing, tax credits, and other financing tools to invest in public infrastructure and increase the financial feasibility of TOD, but only to the extent that private development cannot support itself;
- Consider public-private partnerships and joint development between the City and private developers to facilitate development consistent with TOD principles.

12) INDIVIDUALS INTERVIEWED

1. Christine Camp, Avalon Development
2. Michael Goshi, Design Partners Incorporated
3. Jackson Nakasone & Sheldon Glassco, Grubb & Ellis/CBI
4. Deepak Neupane, HCDA
5. Jay Ro, Samkoo Pacific

APPENDIX



KEYSER MARSTON ASSOCIATES.



AN ARCADIS COMPANY

Table 1**Ala Moana Station Area - Demographic Trends and Projections - 0.5 Mile Radius****Ala Moana Station Area TOD Market Study**

Demographic Statistics	2013		2018	
	Estimate		Projection	
Population	15,884		17,314	
Households	8,419		9,164	
Families	3,702		4,047	
Housing Units	9,638		10,510	
Group Quarters Population	161		163	
Average Household Size	1.87		1.87	
Households By Income	2013		2018	
	Estimate	%	Projection	%
Less than \$34,999	3,581	42.53%	3,530	38.52%
\$35,000-\$49,999	1,179	14.00%	1,171	12.78%
\$50,000-\$74,999	1,281	15.21%	1,370	14.95%
\$74,000-99,999	995	11.82%	1,091	11.91%
\$100,000 or more	1,384	16.44%	2,001	21.84%
	8,420	100.00%	9,163	100.00%
Average Household Income	\$63,328		\$75,050	
Median Household Income	\$43,000		\$48,472	

Source: Claritas

Table 2
Honolulu County Largest Employers
Ala Moana Station Area TOD Market Study

County Rank	State Rank	Employer	Number of Employees	Industry
1	1	University of Hawaii	9,000	Colleges, Universities, and Professional Schools
2	2	Kapiolani Medical Center	5,000	General Medical and Surgical Hospitals
3	3	Kyo-Ya Co Ltd. ¹	4,000	Federal Government Contractors
4	4	Hawaii Health Systems Foundation	3,400	Legislative Bodies
5	5	Bank Of Hawaii	2,500	Commercial Banking
6	6	Bank Of Hawaii Corp	2,100	Offices of Bank Holding Companies
7	7	St Francis Healthcare System	2,100	Home Health Care Services
8	8	Aloha Air Cargo	2,090	Scheduled Freight Air Transportation
9	10	Honolulu Police Department	2,000	Police Protection
10	11	Kaiser Permanente Medical	2,000	General Medical and Surgical Hospitals
11	12	Straub Clinic & Hospital	1,900	General Medical and Surgical Hospitals
12	13	Hilton-Hawaiian Village Beach	1,800	Hotels (except Casino Hotels) and Motels
13	14	Polynesian Cultural Center	1,700	Nature Parks and Other Similar Institutions
14	15	Outrigger Enterprises Group	1,600	Hotels (except Casino Hotels) and Motels
15	16	Hawaii Medical Service Association	1,500	Insurance Agencies and Brokerages
16	17	Honolulu Intl Airport-Hnl	1,500	Other Airport Operations
17	18	Oahu Transit Service	1,431	Other Urban Transit Systems
18	19	Adjutant General	1,400	State Government-National Security
19	21	Roberts Overnights	1,400	Travel Agencies & Bureaus
20	22	Kuakini Emergency Service	1,300	General Medical and Surgical Hospitals
21	24	Kaimuki Toyota/Suzuki	1,200	Automobile Dealers-New Cars
22	25	Kapi'Olani Health	1,200	All Other Miscellaneous Ambulatory Health Care Services
23	26	Sheraton-Waikiki	1,200	Hotels (except Casino Hotels) and Motels
24	27	Servco Pacific Inc	1,100	Offices of Real Estate Agents and Brokers
25	28	Castle Medical Ctr	1,000	General Medical and Surgical Hospitals
26	30	Honolulu Environmental Services	1,000	City Government-Environmental Programs
27	31	Kuakini Health System	1,000	All Other Miscellaneous Ambulatory Health Care Services
28	33	Royal Hawaiian Hotel	1,000	Hotels (except Casino Hotels) and Motels
29	34	Servco Mapunapuna Plaza	1,000	Automobile Dealers-New Cars
30	35	Sheraton-Princess Kaiulani	1,000	Hotels (except Casino Hotels) and Motels
31	36	Thomas Hale Hamilton Library	1,000	Libraries-Public
32	39	Hale Koa Hotel	900	Hotels (except Casino Hotels) and Motels
33	41	Hyatt Regency-Waikiki Resort	875	Hotels (except Casino Hotels) and Motels
34	44	Halekulani-Orchids	800	Hotels (except Casino Hotels) and Motels
35	45	Hawaii Newspaper Agency Inc	800	Newspaper Publishers
36	46	Hawaiian Telcom	800	Wireless Telecommunications Carriers (except Satellite)
37	48	Sheraton-Moana Surfriider	735	Hotels (except Casino Hotels) and Motels

Source: 50 Largest Employers in State of Hawaii, CareerOneStop, U.S. Department of Labor, Employment and Training.

¹ Owner of Princess Kaiulani Hotel, Moana Surfriider Hotel, Sheraton Waikiki Hotel, Royal Hawaiian Hotel, Sheraton Maui Hotel, and other restaurants and parking lots

Table 3
Employment (Jobs) Trends and Projections - City and County of Honolulu
Ala Moana Station Area TOD Market Study

	2000	2005	2010	2015	2020	2025	2030	2035
Primary Urban Center								
Ala Moana/Kakaako	51,900	56,814	58,644	62,881	64,258	65,616	67,010	68,477
Rest of PUC	310,940	324,031	329,440	336,344	344,085	350,506	357,304	364,862
Total Primary Urban Center	362,840	380,845	388,084	399,225	408,343	416,122	424,314	433,339
Rest of Honolulu City and Co.	138,289	168,963	173,600	197,958	212,772	227,841	241,880	255,041
Total City and County	501,129	549,808	561,684	597,183	621,115	643,963	666,194	688,380
As % of Total Primary Urban Center								
Ala Moana/Kakaako	14.3%	14.9%	15.1%	15.8%	15.7%	15.8%	15.8%	15.8%
Rest of PUC	85.7%	85.1%	84.9%	84.2%	84.3%	84.2%	84.2%	84.2%
As % of Total City and County								
Ala Moana/Kakaako	10.4%	10.3%	10.4%	10.5%	10.3%	10.2%	10.1%	9.9%
Rest of PUC	62.0%	58.9%	58.7%	56.3%	55.4%	54.4%	53.6%	53.0%
	72.4%	69.3%	69.1%	66.9%	65.7%	64.6%	63.7%	63.0%

Source: Department of Planning and Permitting

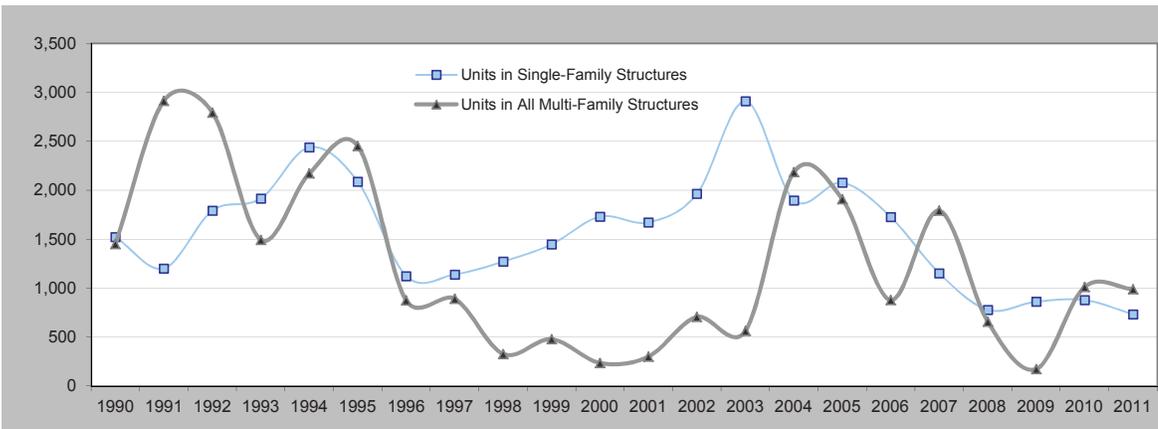
Table 4
Employment (Jobs) Trends and Projections by Industry - Primary Urban Center
Ala Moana Station Area TOD Market Study

	2000	2010	2020	2030	2035	2000-2010		2010-2020		2020-2030	
						Total	%	Total	%	Total	%
Ala Moana-Kakaako											
Armed Forces	0	23	23	23	23	23		0	0%	0	0%
Public Admin	2,976	3,067	3,184	3,327	3,395	91	3%	117	4%	143	4%
Hotel	892	892	895	898	898	0	0%	3	0%	3	0%
Agriculture	345	156	160	164	164	-189	-55%	4	3%	4	3%
Transportation and Utilities	6,259	6,669	7,329	7,735	7,941	410	7%	660	10%	406	6%
Industrial	3,133	3,133	3,133	3,133	3,133	0	0%	0	0%	0	0%
Fin. Ins. & RE	5,947	5,405	5,433	5,454	5,505	-542	-9%	28	1%	21	0%
Services	17,752	20,635	23,573	24,960	25,641	2,883	16%	2,938	14%	1,387	6%
Retail	13,323	14,957	16,468	17,073	17,409	1,634	12%	1,511	10%	605	4%
Construction	1,273	3,707	4,060	4,243	4,368	2,434	191%	353	10%	183	5%
Total	51,900	58,644	64,258	67,010	68,477	6,744	13%	5,614	10%	2,752	4%
Rest of PUC											
Armed Forces	14,780	15,220	15,214	15,214	15,214	440	3%	-6	0%	0	0%
Public Admin	24,663	25,309	26,085	27,005	27,479	646	3%	776	3%	920	4%
Hotel	14,350	14,406	14,744	14,789	14,802	56	0%	338	2%	45	0%
Agriculture	1,047	467	486	489	494	-580	-55%	19	4%	3	1%
Transportation ad Utilities	28,281	30,450	33,740	35,782	36,850	2,169	8%	3,290	11%	2,042	6%
Industrial	21,498	21,469	21,469	21,469	21,469	-29	0%	0	0%	0	0%
Fin. Ins. & RE	21,726	19,748	19,841	19,934	20,112	-1,978	-9%	93	0%	93	0%
Services	116,695	131,327	140,774	149,114	153,210	14,632	13%	9,447	7%	8,340	6%
Retail	57,605	59,262	60,868	61,709	62,780	1,657	3%	1,606	3%	841	1%
Construction	10,295	11,782	10,864	11,799	12,452	1,487	14%	-918	-8%	935	9%
Total	310,940	329,440	344,085	357,304	364,862	18,500	6%	14,645	4%	13,219	4%
Primary Urban Center (PUC)											
Armed Forces	14,780	15,243	15,237	15,237	15,237	463	3%	-6	0%	0	0%
Public Admin	27,639	28,376	29,269	30,332	30,874	737	3%	893	3%	1,063	4%
Hotel	15,242	15,298	15,639	15,687	15,700	56	0%	341	2%	48	0%
Agriculture	1,392	623	646	653	658	-769	-55%	23	4%	7	1%
Transportation ad Utilities	34,540	37,119	41,069	43,517	44,791	2,579	7%	3,950	11%	2,448	6%
Industrial	24,631	24,602	24,602	24,602	24,602	-29	0%	0	0%	0	0%
Fin. Ins. & RE	27,673	25,153	25,274	25,388	25,617	-2,520	-9%	121	0%	114	0%
Services	134,447	151,962	164,347	174,074	178,851	17,515	13%	12,385	8%	9,727	6%
Retail	70,928	74,219	77,336	78,782	80,189	3,291	5%	3,117	4%	1,446	2%
Construction	11,568	15,489	14,924	16,042	16,820	3,921	34%	-565	-4%	1,118	7%
Total	362,840	388,084	408,343	424,314	433,339	25,244	7%	20,259	5%	15,971	4%

Source: City and County of Honolulu Department of Planning and Permitting

Table 5
Residential Building Permits 1980-2011 - City and County of Honolulu
Honolulu TOD Market Study

Year	Total Units	Units in Single-Family Structures	Units in All Multi-Family Structures	Units in 2-unit Multi-Family Structures	Units in 3- and 4-unit Multi-Family Structures	Units in 5+ Unit Multi-Family Structures
1980	4,952	1,599	3,353	46	256	3,051
1981	2,617	688	1,929	44	113	1,772
1982	3,223	700	2,523	30	72	2,421
1983	2,852	1,568	1,284	64	69	1,151
1984	3,255	2,199	1,056	112	81	863
1985	4,307	2,314	1,993	112	183	1,698
1986	4,115	2,021	2,094	108	67	1,919
1987	3,569	2,670	899	120	34	745
1988	3,286	1,945	1,341	170	183	988
1989	3,458	1,582	1,876	114	140	1,622
1990	2,977	1,524	1,453	126	85	1,242
1991	4,118	1,203	2,915	50	116	2,749
1992	4,588	1,793	2,795	42	148	2,605
1993	3,411	1,916	1,495	62	59	1,374
1994	4,612	2,440	2,172	76	66	2,030
1995	4,544	2,090	2,454	64	76	2,314
1996	2,000	1,125	875	34	0	841
1997	2,035	1,141	894	38	23	833
1998	1,601	1,272	329	20	16	293
1999	1,928	1,449	479	0	21	458
2000	1,969	1,732	237	4	0	233
2001	1,975	1,673	302	10	39	253
2002	2,673	1,964	709	12	67	630
2003	3,473	2,910	563	84	12	467
2004	4,084	1,898	2,186	8	108	2,070
2005	3,988	2,079	1,909	0	160	1,749
2006	2,606	1,727	879	0	0	879
2007	2,944	1,152	1,792	0	148	1,644
2008	1,438	780	658	2	21	635
2009	1,036	862	174	8	20	146
2010	1,891	879	1012	10	0	1002
2011	1,724	734	990	0	9	981

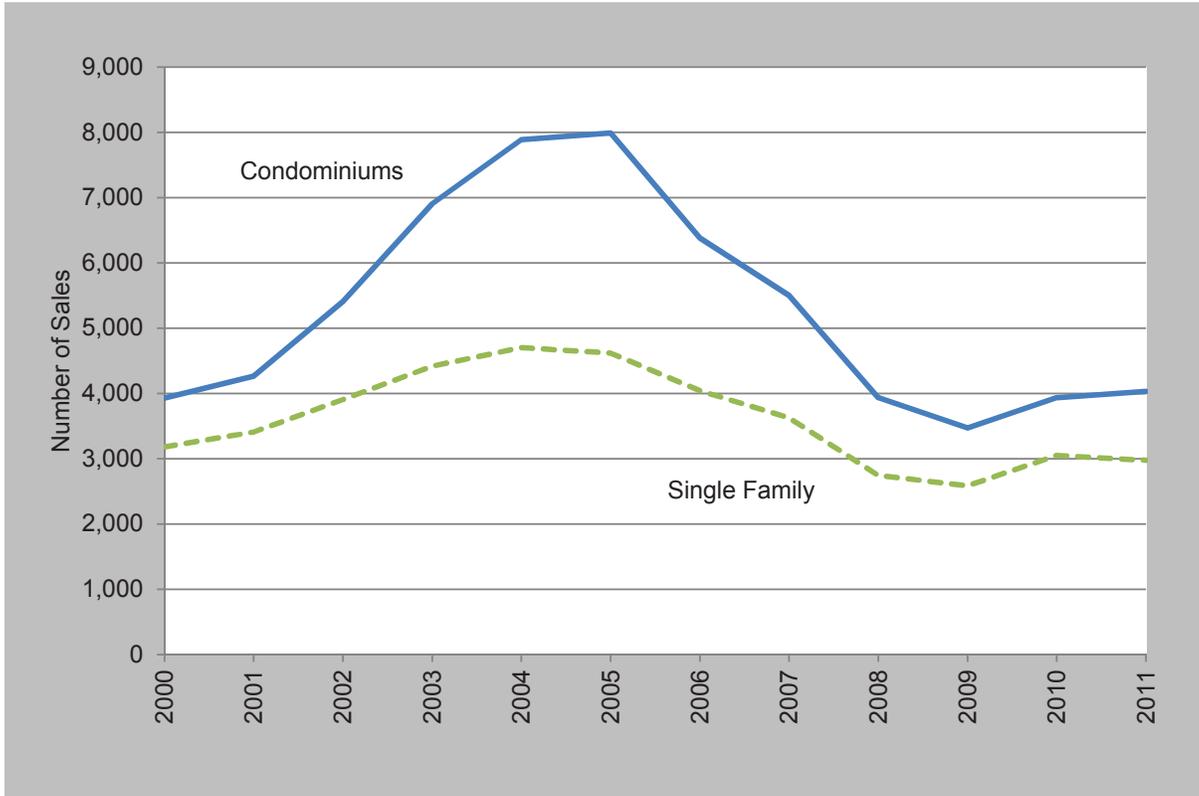


1980-89						
Total	35,634	17,286	18,348	920	1198	16,230
Avg/Yr	3,563	1,729	1,835	92	119.8	1,623
1990-99						
Total	31,814	15,953	15,861	512	610	14,739
Avg/Yr	3,181	1,595	1,586	51	61	1,474
2000-2009						
Total	26,186	16,777	9,409	128	575	8,706
Avg/Yr	2,619	1,678	941	13	57.5	871

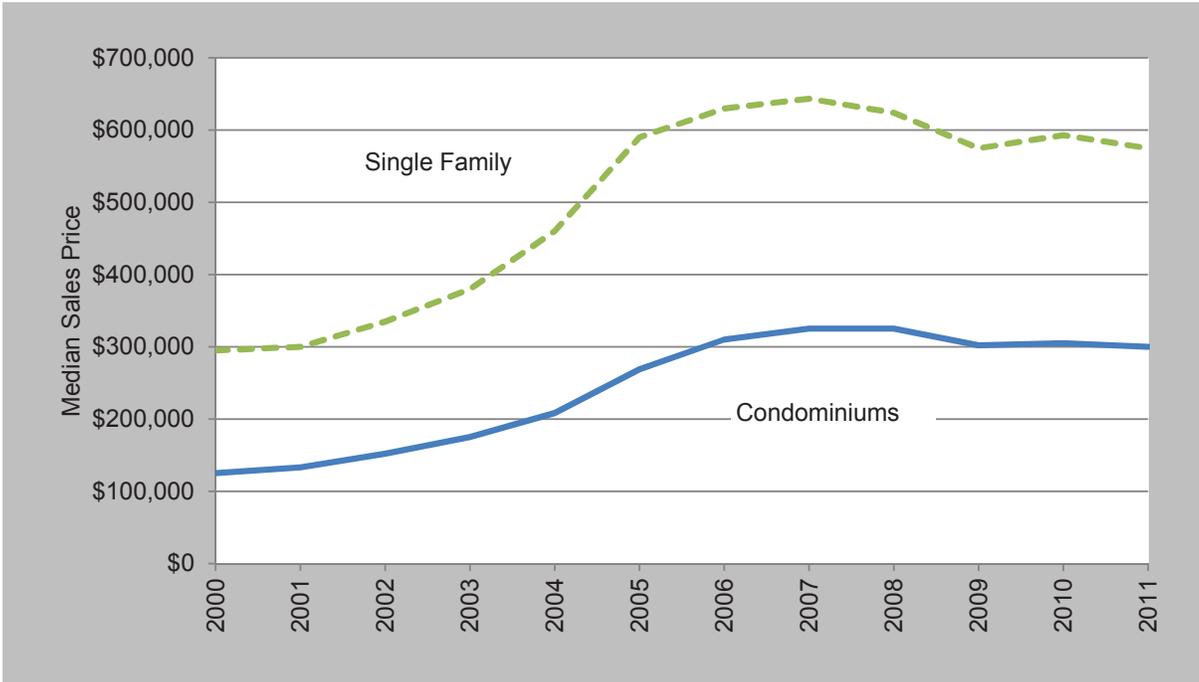
Source: State of the Cities Data System, HUD

Table 6
Residential For-Sale Market Trends - City and County of Honolulu
Ala Moana Station Area TOD Market Study

Annual Unit Sales



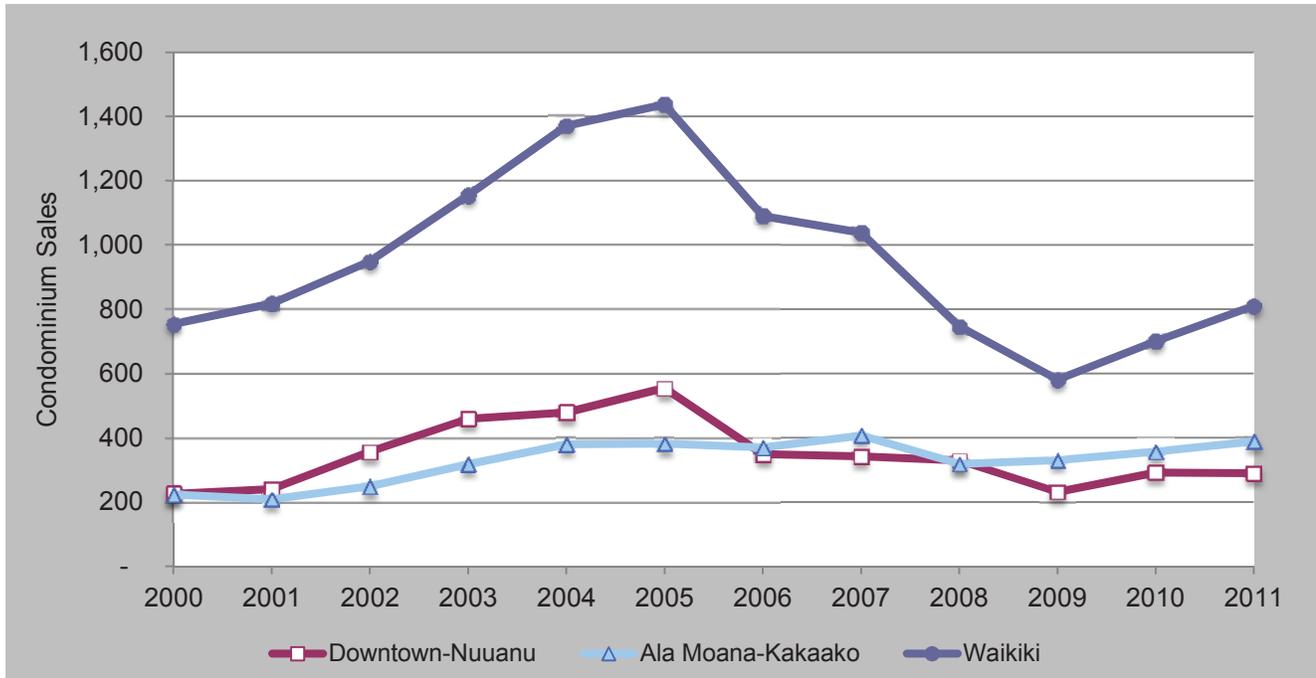
Median Sales Price of Residential Properties



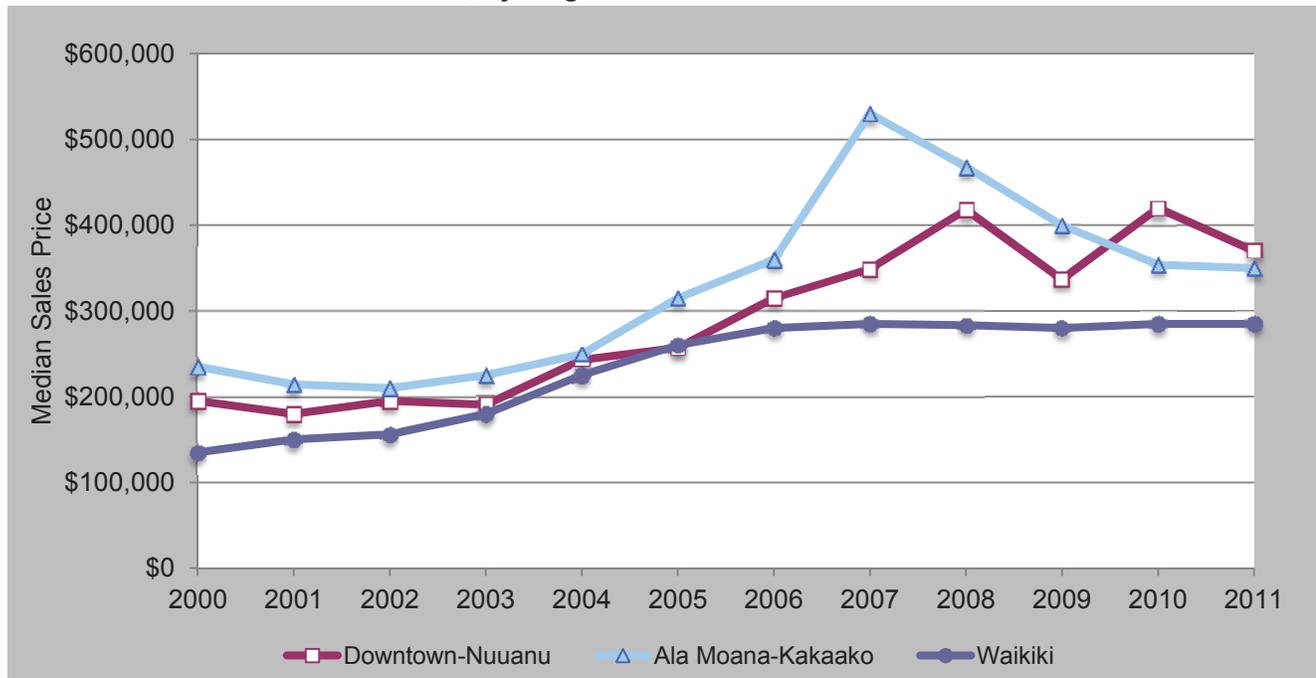
Source: Honolulu Board of Realtors, Inc.

Table 7
Condominiums For-Sale Market Trends - Select Neighborhoods
Ala Moana Station Area TOD Market Study

Annual Condominium Resales Activity, by Neighborhood



Median Sales Price of Condominiums, by Neighborhood



Source: Honolulu Board of Realtors

Table 8
Retail Market Trends by Retail Type, City and County of Honolulu
Ala Moana Station Area TOD Market Study

	Total Inventory (SF)		Vacancy Rate		Net Absorption (SF)				
	2009	2010	2009	2010	2009	2010			
Community/Power Center	2,703,838	2,703,838	2,717,693	4.79%	4.55%	5.60%	343,098	6,455	(28,997)
Neighborhood	3,627,044	3,689,831	3,689,831	2.44%	3.36%	3.09%	133,578	(27,831)	9,779
Regional*	4,418,985	4,418,985	4,418,985	2.39%	1.61%	2.33%	(66,856)	34,803	(31,932)
Resort/Specialty	1,341,584	1,341,584	1,441,454	6.27%	9.14%	8.18%	11,887	(38,452)	74,026
Strip	177,188	177,188	177,188	10.08%	12.71%	16.47%	(237)	(4,648)	3,417
Totals	12,268,639	12,331,426	12,445,151	3.47%	3.75%	4.15%	421,470	(29,673)	26,293

	Avg. Low NNN Asking Rents		Avg. High NNN Asking Rents		Avg. CAM Expenses				
	2009	2010	2009	2010	2009	2010			
Community/Power Center	\$3.64	\$3.38	\$3.24	\$4.53	\$4.25	\$4.25	\$1.10	\$1.14	\$1.14
Neighborhood	\$2.97	\$2.87	\$2.78	\$3.89	\$3.78	\$3.59	\$0.97	\$0.96	\$1.00
Regional*	\$2.69	\$2.92	\$2.77	\$4.29	\$9.98	\$9.40	\$1.83	\$1.89	\$6.08
Resort/Specialty	\$4.33	\$4.13	\$4.45	\$14.10	\$12.96	\$12.98	\$2.19	\$1.90	\$1.89
Strip	\$3.37	\$3.28	\$3.04	\$4.08	\$4.16	\$4.29	\$1.03	\$1.16	\$1.19
Totals**	\$3.08	\$2.94	\$2.87	\$4.05	\$3.92	\$3.88	\$1.10	\$1.09	\$1.10

Source: Colliers Monroe Friedlander 2009 and 2010; Colliers International 2011.

* Includes Ala Moana Center in Calculations

** Islandwide total for average rents and CAM calculations exclude Waikiki and Ala Moana Shopping Center



Table 9
Household Spending Patterns and Opportunity Gap Analysis
Ala Moana Station Area TOD Market Study

2012 Household Retail Expenditures and Retail Sales (0.5 Mile Radius)

	Expenditures per Household ²	Retail Sales per Household ²	Opportunity Gap/Surplus ³
Apparel and Accessories, Furniture and Other ¹	\$3,160	\$77,440	(\$74,280)
Health and Personal Care Stores	\$1,750	\$11,630	(\$9,880)
Foodservice and Drinking Places	\$3,070	\$26,570	(\$23,500)
Grocery Stores and Liquor Stores	\$3,880	\$8,650	(\$4,770)

Supportable Additional Retail Space 2010-2035 (0.5 Mile Radius)

Total Growth in Households (2013 - 2035) ⁴	3,000		
	Retail Space Supported by:		Total Retail Space Demand
	Area HH Sq. Ft. ⁵	Outside Demand Sq. Ft. ⁵	Sq. Ft. ⁵
Apparel and Accessories, Furniture and Other ¹	16,000	382,000	398,000
Health and Personal Care Stores	13,000	0	13,000
Foodservice and Drinking Places	16,000	123,000	139,000
Grocery Stores and Liquor Stores	23,000	29,000	52,000
	68,000	534,000	602,000

¹ Includes clothing and clothing accessories stores, sporting goods, hobby, book and music stores, office supplies, stationary, and gift stores.

² Based on data from Claritas.

³ The difference between expenditures and sales represents the opportunity gap or surplus - a positive value signifies an opportunity gap while a negative value signifies a surplus.

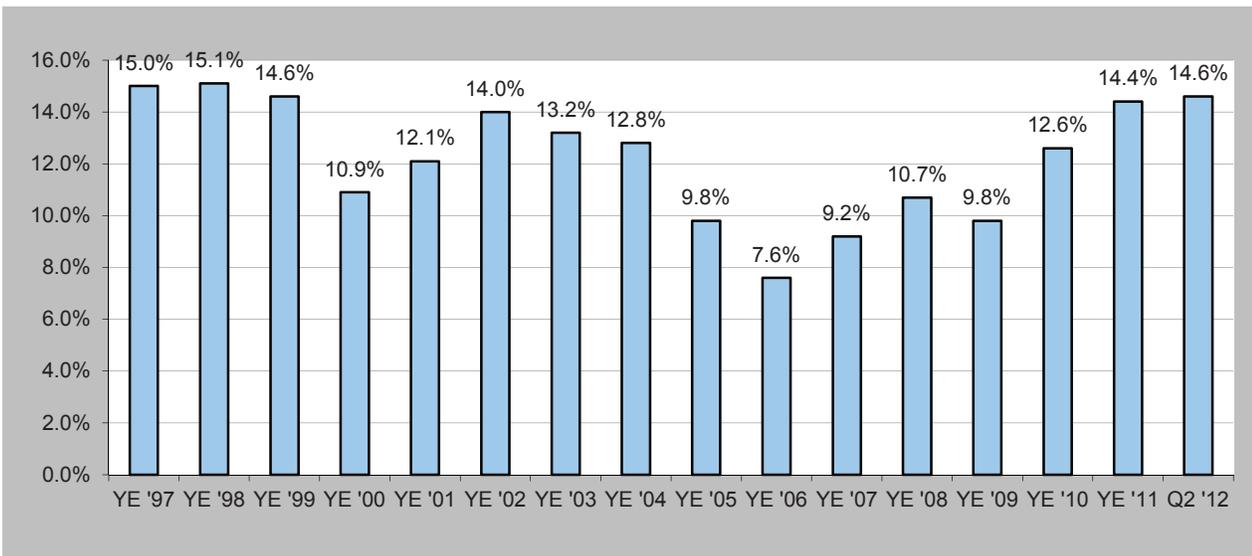
⁴ Estimated by KMA.

⁵ Estimated by KMA. Assumptions for sales per square foot and local capture rates based on industry trends and local conditions.

Table 10
Class A Office Market Snapshot (Select Properties) - Central Business District - Q2 2012
Ala Moana Station Area TOD Market Study

	Building SF	Asking FSG Rents		Operating Expenses \$/SF/Mo.	Vacancy
		Low \$/SF/Mo.	High \$/SF/Mo.		
Alii Place	316,040	\$3.01	\$3.16	\$1.26	7.3%
Bishop Place	462,072	\$2.62	\$2.77	\$1.42	11.3%
Bishop Square / ASB Tower	483,455	\$2.69	\$2.89	\$1.39	8.5%
Bishop Square / Pauahi Tower	438,596	\$2.74	\$2.89	\$1.39	18.2%
Central Pacific Plaza	209,821	\$3.07	\$3.07	\$1.42	4.1%
City Financial Tower	180,563	\$2.72	\$2.72	\$1.32	13.1%
Davies Pacific Center	354,322	\$2.45	\$3.10	\$1.45	24.3%
First Hawaiian Center	379,336	\$3.32	\$3.32	\$1.32	12.5%
Harbour Court - Office Tower	186,138	\$2.90	\$3.10	\$1.38	16.7%
Pacific Guardian Center	632,136	\$2.85	\$2.95	\$1.37	17.6%
Pioneer Plaza	245,000	\$2.72	\$3.20	\$1.35	11.9%
TOPA Financial Center	483,776	\$2.75	\$3.00	\$1.50	16.6%
Waterfront Plaza (Office Portion)	455,600	\$2.99	\$3.14	\$1.49	10.3%
	4,826,855				
	Average	\$2.84	\$3.07	\$1.39	14.6%
	Range	\$2.45	\$3.75		

CBD Class A Office Vacancy Rate



Source: Hawaii Commercial Real Estate, LLC



KEYSER MARSTON ASSOCIATES.



AN ARCADIS COMPANY

Table 11
Office Market Trends - City and County of Honolulu
Ala Moana Station Area TOD Market Study

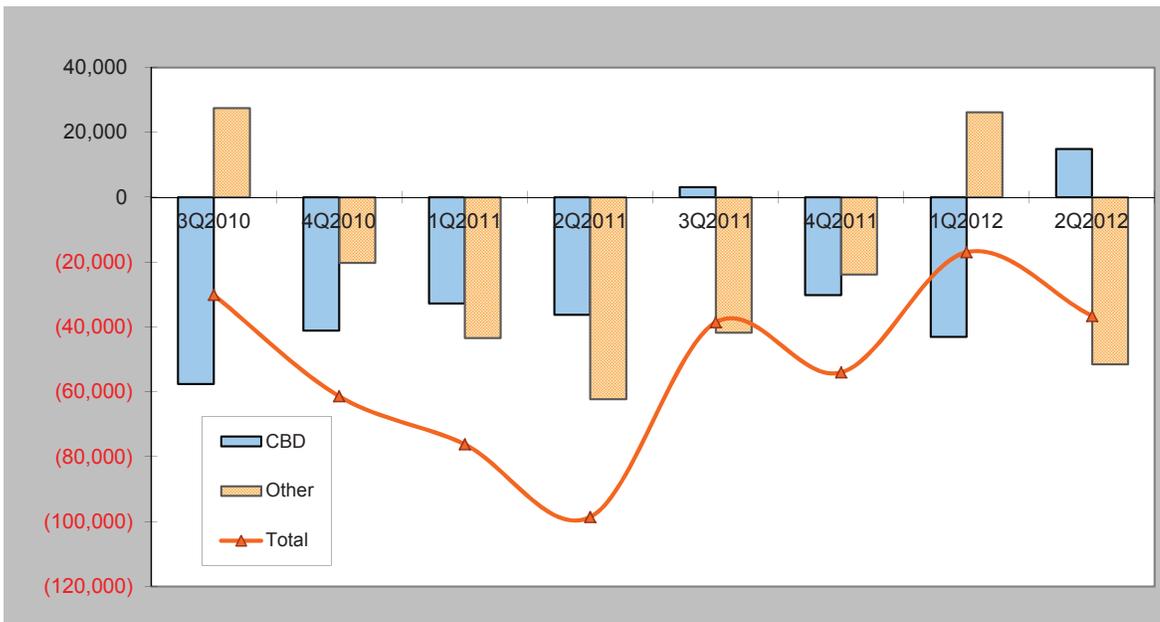
Vacancy Trends (Q3 2010 through Q2 2012)

	Total SF	No. Bldg.	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012
Airport	575,042	4	19.6%	16.4%	18.7%	18.2%	14.0%	14.8%	13.1%	15.4%
CBD	5,727,241	24	12.9%	13.6%	14.2%	14.9%	14.8%	15.3%	16.1%	15.8%
East Oahu	257,586	6	6.0%	5.2%	2.4%	3.3%	3.6%	5.7%	5.4%	4.9%
Kakaako	1,338,687	6	5.5%	6.1%	6.5%	7.3%	8.9%	8.1%	7.6%	8.3%
Kalihi/Iwilei	569,529	4	9.8%	10.5%	13.3%	15.3%	15.0%	14.5%	14.0%	12.4%
Kapiolani	1,249,565	9	11.1%	10.3%	9.1%	9.9%	10.5%	11.2%	10.1%	9.9%
King	78,547	2	8.8%	20.3%	21.8%	22.0%	20.0%	20.0%	21.0%	23.4%
Leeward	603,712	8	0.9%	2.7%	7.7%	10.4%	15.1%	15.2%	16.5%	21.5%
Waikiki	782,395	7	18.3%	20.9%	21.4%	23.1%	24.0%	25.4%	25.6%	26.9%
Windward Oahu	110,165	3	8.9%	7.4%	5.0%	5.0%	10.1%	14.2%	12.7%	12.4%
Total	11,292,469	73	11.5%	12.1%	12.8%	13.6%	14.0%	14.4%	14.6%	14.9%

Average Lease Rates (FSG/SF/Mo)

	Total SF	Avg. rate	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012
Airport	575,042	\$2.47	\$2.42	\$2.46	\$2.48	\$2.53	\$2.51	\$2.51	\$2.43	\$2.51
CBD	5,727,241	\$2.74	\$2.68	\$2.68	\$2.68	\$2.68	\$2.68	\$2.68	\$2.70	\$2.94
East Oahu	257,586	\$3.38	\$3.32	\$3.67	\$3.32	\$3.32	\$3.32	\$3.32	\$3.37	\$3.22
Kakaako	1,338,687	\$3.24	\$3.26	\$3.26	\$3.26	\$3.26	\$3.25	\$3.03	\$3.04	\$2.99
Kalihi/Iwilei	569,529	\$2.46	\$2.48	\$2.41	\$2.67	\$2.67	\$2.67	\$2.41	\$2.44	\$2.45
Kapiolani	1,249,565	\$3.42	\$3.32	\$3.29	\$3.34	\$3.34	\$3.34	\$3.34	\$3.43	\$3.42
King	78,547	\$2.77	\$2.77	\$2.77	\$2.59	\$2.59	\$2.59	\$2.61	\$2.61	\$2.61
Leeward	603,712	\$3.59	\$3.51	\$3.51	\$3.51	\$3.51	\$3.42	\$3.42	\$3.44	\$3.69
Waikiki	782,395	\$2.95	\$2.85	\$2.85	\$2.85	\$2.85	\$2.85	\$2.85	\$3.05	\$3.15
Windward Oahu	110,165	\$3.10	\$3.05	\$3.05	\$3.06	\$3.06	\$3.19	\$3.19	\$3.21	\$3.21
Total	11,292,469	\$3.01	\$2.96	\$2.99	\$2.97	\$2.98	\$2.98	\$2.93	\$2.97	\$3.02

Net Absorption Q3 2010 - Q2 2012



Source: Hawaii Commercial Real Estate, LLC

Table 12
Project Area Projected Office Space Demand
Ala Moana Station Area TOD Market Study

Industry	Primary Urban Center		Project Area		
	Projected Job Growth ¹	Projected Office Employment		Office Employment Capture ³	
	2010-2035	Share ²	2010-2035	2010-2035	
Armed Forces	-6	0%	0	0%	0
Public Admin	2,498	80%	1,998	0%	0
Hotel	402	7%	27	0%	0
Agriculture	35	0%	0	0%	0
Transportation and Utilities	7,672	10%	767	5%	38
Industrial	0	10%	0	0%	0
Fin. Ins. & RE	464	100%	464	5%	23
Services	26,889	50%	13,445	10%	1,344
Retail	5,970	5%	299	10%	30
Construction	1,331	0%	0	0%	0
Total	45,255		17,000		1,436

2010-2035
Total Office Space Demand (@250SF/Employee) ⁴ 359,000

Plus Normal Vacancy (@ 10%) ⁴ 35,900

Ala Moana Station Area Office Space Demand 394,900

¹ Planning and Permitting Department.

² Represents the percentage of employment in each industry that is likely to occupy office space. KMA assumption based on data from the 2008-18 National Employment Matrix by the Bureau of Labor Statistics.

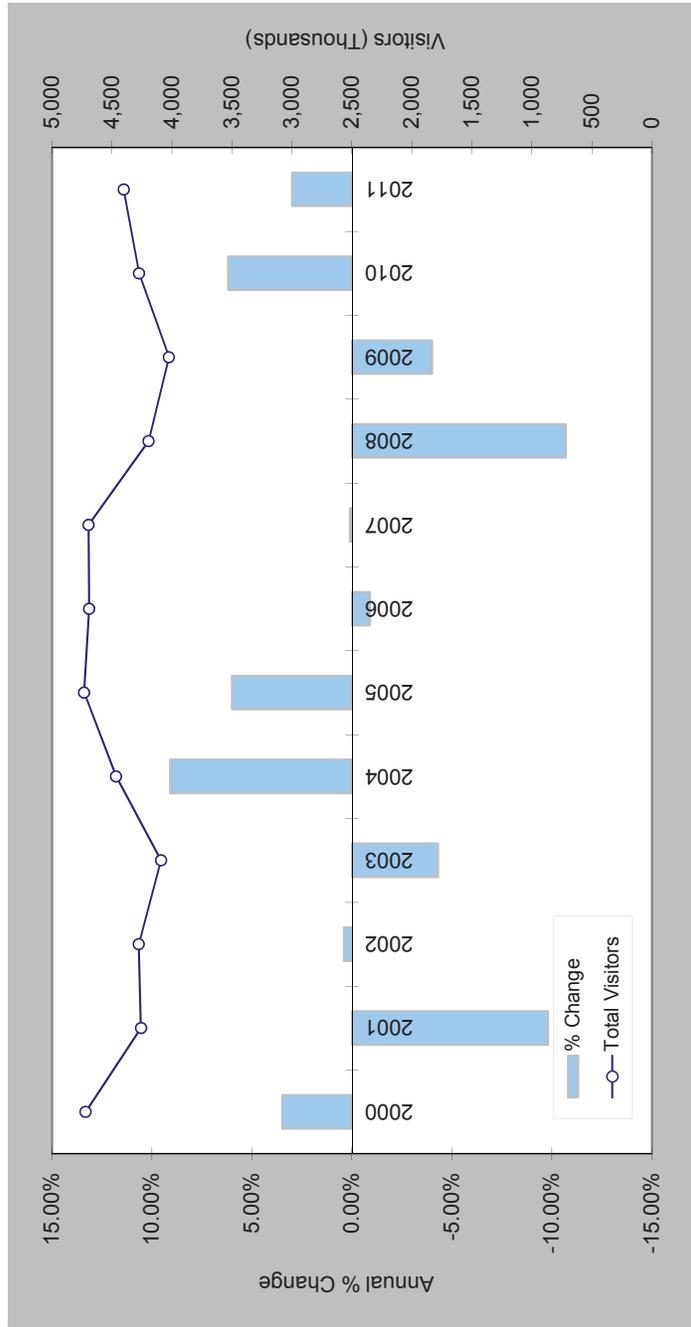
³ Based on KMA's estimate of the Ala Moana's share of employment by industry.

⁴ KMA Assumption.

Table 13
Tourism Industry Trends - City and County of Honolulu
Ala Moana Station Area TOD Market Study

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Visitors (thousands) ¹	4,719	4,258	4,276	4,091	4,465	4,732	4,688	4,695	4,194	4,025	4,274	4,402
Visitor Expenditures (\$millions, current) ²				\$4,628	\$5,384	\$5,643	\$5,623	\$5,712	\$5,626	\$5,011	\$5,501	\$6,258
Room Stock (thousands) ³	36.3	36.8	36.5	35.5	35.8	33.9	33.6	33.6	34.1	34.0	33.8	35.0
Average Length of Stay (Domestic) ⁴	7.5	7.7	7.8	8.2	7.8	7.6	7.4	7.3	7.8	7.9	8.0	11.3
Average Length of Stay (International) ⁴	5.8	5.9	5.9	6.0	5.9	5.8	5.7	5.8	6.1	6.5	6.5	6.7

Long Term Visitor Trends



Source: Hawaii Tourism Authority. Accessed Via University of Hawaii Economic Research Organization (UHERO).

¹ Total Visitor Arrivals

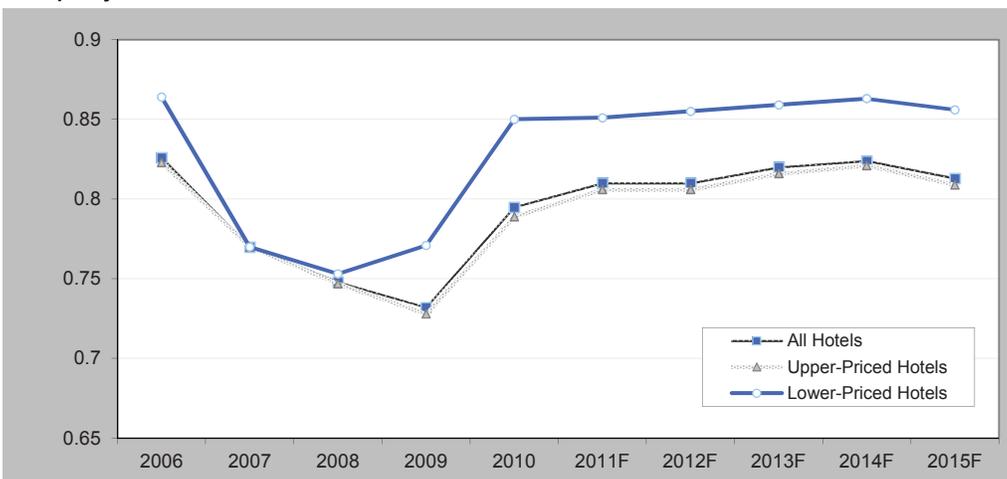
² Current Dollars

³ Total Visitor Accommodations. Sum of hotels, condominium hotels, timeshare units, individual vacation units, bed & breakfasts, hostels, and others.

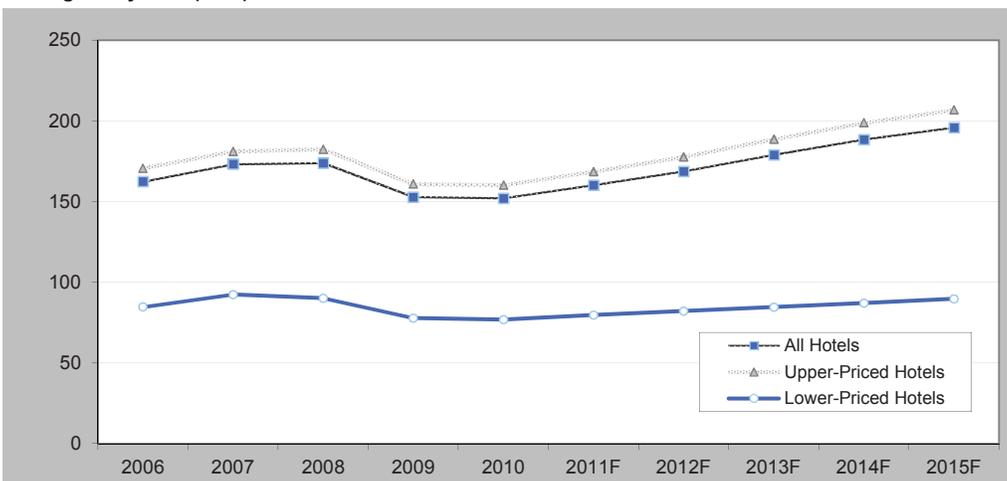
⁴ Visitor Days Divided by Visitor Arrivals

Table 14
Hotel Trends - City and County of Honolulu
Ala Moana Station Area TOD Market Study

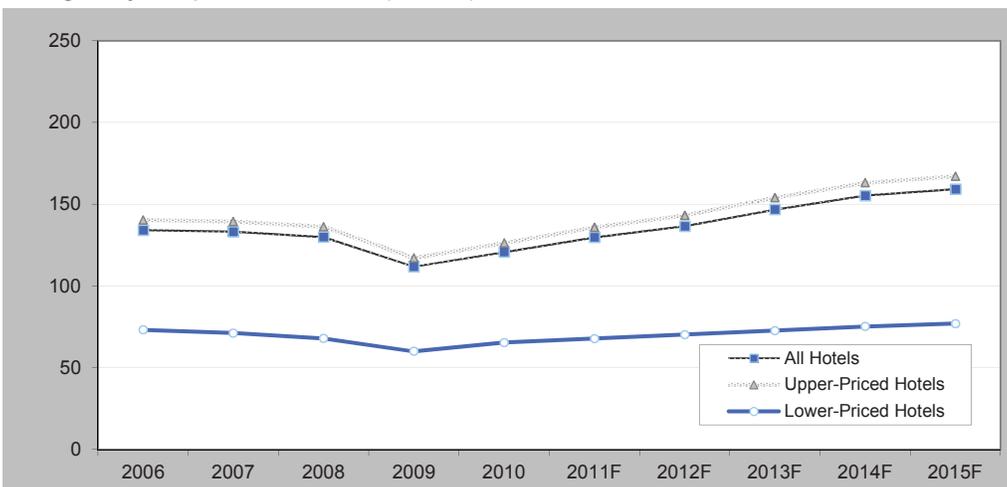
Occupancy Rates



Average Daily Rate (ADR)



Average Daily Rate per Available Room (RevPAR)



Source:PKF