



Real Estate Market Analysis

April 2023

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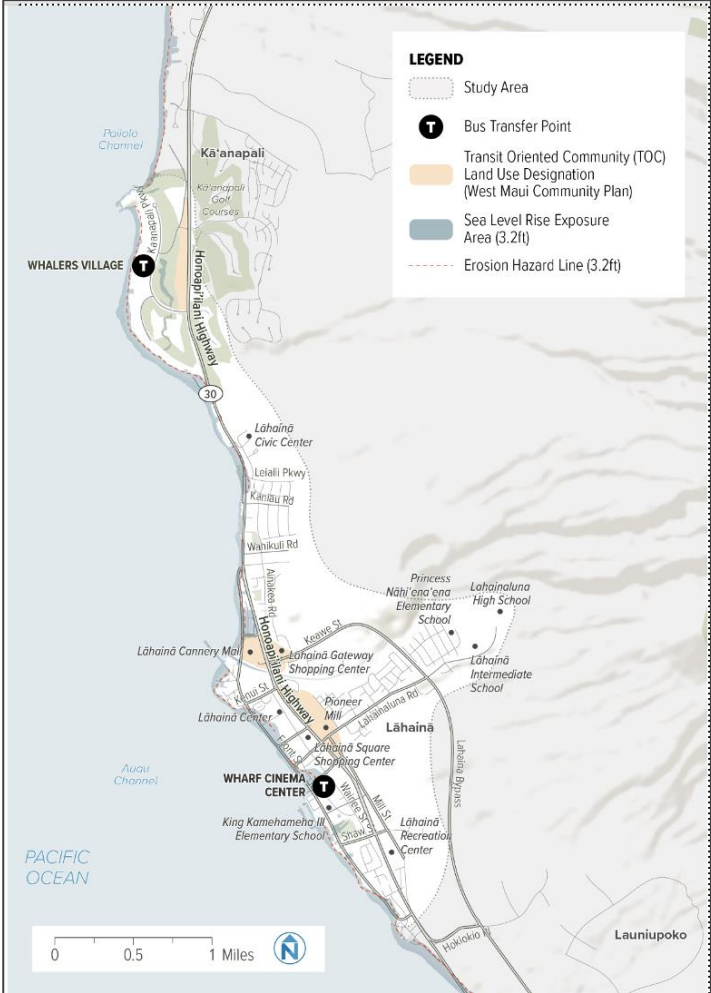
1 EXECUTIVE SUMMARY

As part of the West Maui Transit-Oriented Community Action Plan (the West Maui Community Corridor) to promote new workforce and affordable housing, economic development, multimodal transportation options, and community amenities, the project team is developing this Real Estate Market Analysis to inform planning for a range of land uses within the study area and identify future development opportunities.

This Real Estate Market Analysis summarizes existing market conditions and trends for a range of development types which include office, retail, multifamily residential, and hospitality.

The West Maui study area is shown in Figure 1. For purposes of this market analysis, “study area” refers to the West Maui Community Corridor study area depicted in the map and includes both Lāhainā and Kā’anapali. This executive summary highlights existing trends in West Maui’s demographics, economy, residential and commercial market. Additional details about the real estate analysis can be found in the subsequent sections of this report.

Figure 1: West Maui Study Area



Source: Nelson Nygaard

POPULATION AND ECONOMY

Population: West Maui, referred to as the West Maui study area in Figure 1, is home to 14,425 residents, 92% of whom live in Lāhainā. The West Maui area represents approximately 9.3% of Maui Island residents. While Lāhainā area demographics generally reflect those of Maui Island, there are stark differences with Kā'anapali. Kā'anapali has smaller household sizes, and an older population. The average household income is nearly twice that of Lāhainā, and 83% of residents own their homes, as opposed to 44% of Lāhainā residents and 39% of Maui Island residents.

Existing Businesses and Employment: The West Maui study area has 1,093 businesses employing over 14,000 people. While only 7% of West Maui study area residents live in Kā'anapali, the area contains roughly 47% of West Maui study area jobs, due to the concentration of resorts, hotels, and services in the area. With so many employees commuting into Kā'anapali for work every day, frequent and reliable public transportation options are critical. In the study area overall, the food service and accommodations industry employ over 51% of people across 151 businesses. The retail industry makes up the largest share of businesses in the West Maui study area (288 businesses) and is the industry with the second highest number of jobs in the West Maui study area (15% of employees).

COVID-19 Impacts on the Local Economy: Hawai'i and Maui Island were hit especially hard by COVID-19 impacts, specifically related to the travel and tourism industry. While Maui Island has largely recovered from the initial impact of COVID-19, the island lost 9% of all jobs between the second quarter of 2019 and the third quarter of 2022. The largest decline in jobs was in the food services and accommodations industry, with 3,400 jobs lost over the time period (13.3%). Given the importance of this industry to the West Maui economy, this decline had significant economic and employment impacts to businesses in the study area, particularly food services, entertainment, and recreation.

RESIDENTIAL MARKET CONDITIONS

Existing Housing Stock: Both Lāhainā and Kā'anapali have a lower share of single detached units than Maui Island overall, with 37% and 28%, respectively. Lāhainā has a higher share of medium density housing than both Kā'anapali and the island overall, with 21% of housing units being part of a two-to four-unit structure. Kā'anapali has a significantly higher share of higher density housing, with 66% of units being multifamily. This is likely due to the prevalence of condo timeshares, vacation homes, and short-term rentals.

New Housing Development: In Maui County, overall housing production declined from 2017 to 2021 but jumped 79% from 2020 to 2021 with 940 units permitted. Single-family housing made up the majority of permitted units from 2016 to 2021, outpacing permits for multifamily housing by over 600 units.

Home Sales: Given high sale prices, home ownership is unaffordable to many local residents. In general, homes in Kā'anapali tend to be more expensive than homes in Lāhainā due to the prevalence of vacation homes, time shares, and short-term rentals. A family of four would need to earn more than \$450,000 to afford the average single detached unit in Lāhainā and over \$612,000 to afford the average single detached unit in Kā'anapali. While condos are less expensive, a family would still need a relatively high income of over \$187,000 to afford the average condo in Lāhainā.

Multifamily Rental Market: According to CoStar data¹, all multifamily rental units in the West Maui study area data set are located in Lāhainā. Multifamily rents in the area have increased steadily, while rents on Maui Island increased more quickly. As of 2022, market rate multifamily rents in the West Maui study area

¹ Costar is a third-party, commercial real estate information company providing information, analytics, and marketing services.

were \$4.82 per square foot compared to \$3.21 per square foot in Maui Island. Vacancy rates in the area are low, and generally mirrored that of the island overall. In both the West Maui study area and the island, vacancy declined from 2012 to 2022. As of 2022, vacancy rates were 2.5% in the West Maui study area, while in Maui Island it was 2.0%. Net absorption² was positive over the time period, with no new multifamily developments delivered to the market. Given positive net absorption, low vacancy rates, and rising rents, there is likely a strong demand for multifamily rentals in the West Maui study area.

COMMERCIAL MARKET CONDITIONS

Office Market: The West Maui study area's office inventory is small and mostly concentrated in Lāhainā, while Kā'anapali has little to no office space inventory according to CoStar data. Office lease rates in the West Maui study area overall peaked in 2013 and dropped significantly in 2014. Since 2014, office rents have steadily increased by \$6.00 per square foot or 25%, from \$24.00 per square foot in 2014 up to \$30.00 per square foot in 2022 Q3. Between 2012 and 2022 Q3, vacancy rates have declined to a very low rate of 0.1%. This indicates that the office market in the study area is constrained, and rents will continue to rise as demand for office space increases. In 2022 Q3, office rents are generally 25% higher than the rest of Maui Island.

Retail Market: There are 166 retail buildings in the West Maui study area, 92% of which are located in Lāhainā. In the study area overall, retail rent rates have steadily increased \$22.44 or 62% since a 2012 average of \$36.08 to a decade-high of \$58.52 per square foot in 2022 Q3. Since the onset of the COVID-19 pandemic in 2020, retail vacancy has increased from 6.9% in 2019 to 9.7% in 2022 Q3. Increasing vacancy rates and negative net absorption in recent years indicate a reduced demand for retail space that is available with the rents asked in the study area. If rents do not adjust downward to support absorption these vacant spaces may remain vacant longer term.

Flex and Industrial Markets: Rents for industrial/flex space in the West Maui study area are higher than the island overall and have remained constant. As of 2022, rent rates were \$21.00 per square foot. Vacancy rates in the West Maui study area were just 0.1% in 2022 and are lower than the island overall. Net absorption has outpaced deliveries for the market; when considered with very low vacancy rates and upward trends in rents, this indicates a growing demand for the industrial/flex space in the study area. Many flex spaces in this area tend to be tenanted with service-oriented uses that otherwise would locate in retail spaces except for high asking rents for nearby retail spaces. Additionally, the local flex market in the West Maui study area creates important opportunities for entrepreneurship and business development.

² Net absorption represents the net change in the supply of commercial real estate space over a certain time frame. It is calculated by subtracting the amount of commercial space that becomes available due to tenants leaving from the total amount of space leased during that period.

2 INTRODUCTION

This Real Estate Market Analysis summarizes existing market conditions and trends for a range of development types which include office, retail, multifamily residential, and hospitality. Information and findings from this Market Analysis Report will be used to propose economic development strategies, housing and development strategies, and a financial plan for the West Maui Transit-Oriented Community Action Plan. This report will also inform the evaluation of development potential and obstacles to development as the project team evaluates development feasibility and opportunity sites.

KEY TERMS

Throughout this report, a few terms are used frequently, such as:

Triple Net (NNN): A triple net lease (triple-net or NNN) is lease agreement on a property where the tenant pays all the expenses of the property, including real estate taxes, building insurance, and maintenance. These expenses are in addition to the cost of rent and utilities. In contrast, in standard commercial lease agreements, some or all of these payments are typically the responsibility of the landlord.

Net absorption: Net absorption represents the net change in the supply of commercial real estate space over a certain time frame. It is calculated by subtracting the amount of commercial space that becomes available due to tenants leaving from the total amount of space leased during that period.

Deliveries: New construction real estate.

Industrial space: Commercial real estate used for manufacturing, production, storage, and distribution activities.

Flex space: Multi-use commercial real estate concept that combines traditional office space with industrial space, offering versatility and adaptability for various business needs.

DATA SOURCES

This section describes the quantitative and qualitative data sources used in this West Maui Community Corridor Real Estate Market Analysis Report. The project team compiled quantitative data from the American Community Survey (ACS), which is an ongoing survey produced by the U.S. Census Bureau which provides vital information on an annual basis about the country and its people. Real estate data was compiled using CoStar, a third-party, commercial real estate information company providing information, analytics, and marketing services. Finally, ESRI Business Analyst data provided location-based market data.

The project team also consulted local sources such as the State of Hawai'i Data Book and Economic Research Organization at the University of Hawai'i (UHERO).

3 EXISTING CONDITIONS: DEMOGRAPHICS AND ECONOMY

This section summarizes demographic and economic trends in West Maui, Maui Island, and Maui County. For the purposes of this report, “West Maui” denotes the West Maui Community Corridor study area, composed of Lāhainā and Kā’anapali.

COMMUNITY DEMOGRAPHIC AND HOUSING TRENDS

The West Maui study area is home to 14,425 residents, 93% of whom live in Lāhainā. The West Maui study area represents approximately 9.3% of Maui Island residents. While Lāhainā area demographics generally reflect those of Maui Island, there are stark differences between Lāhainā and Kā’anapali. Kā’anapali has a much higher share of White residents, smaller household sizes, and an older population. The median annual household income in this area is over \$30,000 higher than that of Lāhainā, and 84% of residents own their homes, as opposed to 50% of Lāhainā residents and 36% of Maui Island residents.

Figure 1: Lāhainā, Kā'anapali, and Maui Island Demographic Data, 2022

| Demographic Data | Lāhainā | Kā'anapali | Maui Island |
|--|----------|------------|-------------|
| Total Population | 13,261 | 1,164 | 154,732 |
| Average Household (HH) Size | 3.71 | 2.15 | 3.01 |
| Median HH Income | \$80,035 | \$112,143 | \$83,151 |
| % Population Under 18 Years | 26% | 11% | 22% |
| % Population 18 to 59 Years | 53% | 36% | 53% |
| % Population Over 60 Years | 21% | 53% | 26% |
| Race | | | |
| White | 28% | 80% | 31% |
| Native Hawai'ian or Other Pacific Islander | 11% | 1% | 9% |
| Black or African American | 0% | 0% | 1% |
| American Indian or Alaska Native | 0% | 0% | 0% |
| Asian | 35% | 5% | 29% |
| Two or More Races | 25% | 13% | 18% |
| Other | 0% | 0% | 0% |
| Total Housing Units | 4,110 | 1,854 | 66,145 |
| Tenure | | | |
| Renter-Occupied HH | 50% | 16% | 64% |
| Owner-Occupied HH | 50% | 84% | 36% |

Source: ACS 2017-2021 5-Year Estimates

COMMUNITY ECONOMIC TRENDS

Employment Trends

The study area has 1,093 businesses employing over 14,000 people. While only 7% of study area residents live in Kā'anapali, the area contains roughly 47% of study area jobs. In the study area overall, the food service and accommodations industry include 51% of jobs across 151 businesses. Of the food service and accommodations jobs, 66% are located in Kā'anapali. The retail industry makes up the largest share of businesses in the study area (288 businesses) and is the industry with the second highest number of jobs in the study area (15% of jobs). The majority (75%) of retail jobs are located in Lāhainā.

Figure 2: Employment and Business Summary for West Maui, 2022

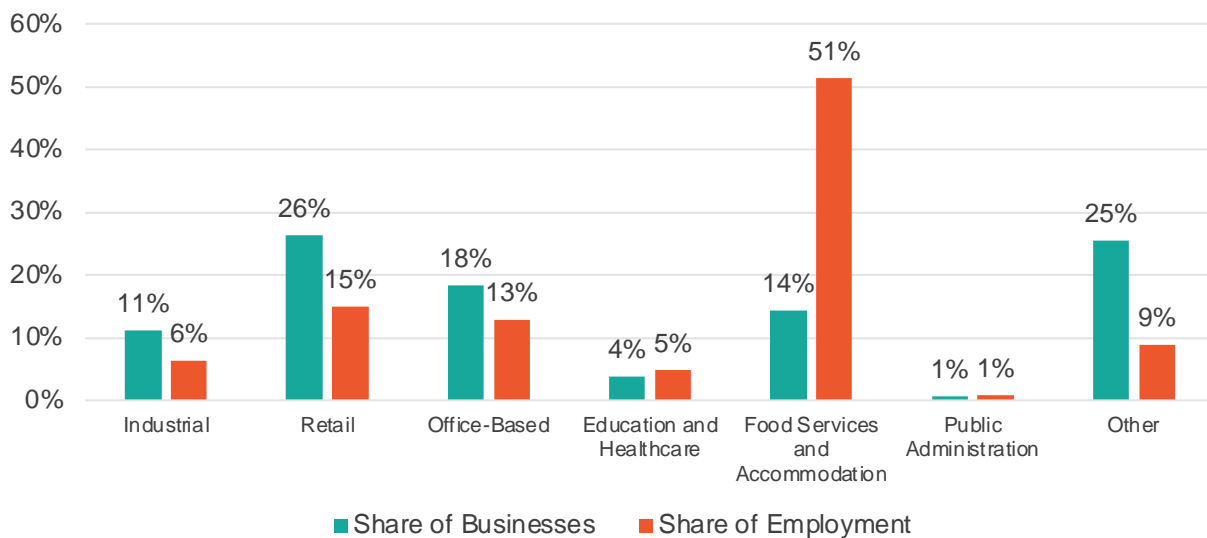
| Industry | Lāhainā | | Kā'anapali | | Study Area Total | |
|--------------|-----------------|----------------|-----------------|----------------|------------------|----------------|
| | # of Businesses | # of Employees | # of Businesses | # of Employees | # of Businesses | # of Employees |
| Industrial | 100 | 767 | 22 | 133 | 122 | 900 |
| Retail | 226 | 1,576 | 62 | 536 | 288 | 2,112 |
| Office-Based | 149 | 955 | 51 | 859 | 200 | 1,814 |

| | | | | | | |
|---------------------------------|------------|--------------|------------|--------------|--------------|---------------|
| Education and Healthcare | 35 | 634 | 6 | 46 | 41 | 680 |
| Food Services and Accommodation | 104 | 2,443 | 53 | 4,840 | 157 | 7,283 |
| Public Administration | 6 | 92 | 1 | 19 | 7 | 111 |
| Other* | 232 | 1,009 | 46 | 248 | 278 | 1,257 |
| Total | 852 | 7,476 | 241 | 6,681 | 1,093 | 14,157 |

Source: ESRI Business Analyst

Notes: *includes Other Services and Unclassified Establishments

Figure 3: Share of Total Businesses and Share of Total Employment by Industry, West Maui, 2022



Source: ESRI Business Analyst

COVID-19 Impacts on the Local Economy

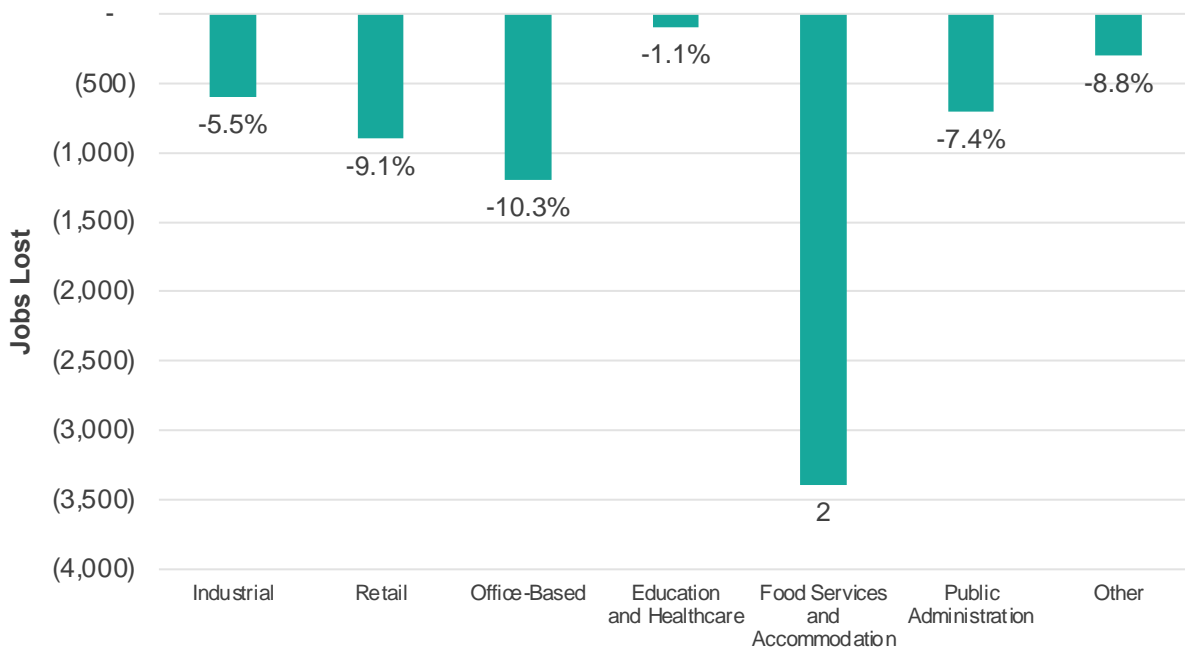
Hawai'i and Maui County were hit especially hard by COVID-19 impacts, specifically related to travel restrictions and the effect on the travel and tourism industry. While Maui County has somewhat recovered from the initial impact of COVID-19, Figure 4 shows that between the second quarter of 2019 and the third quarter of 2022, Maui County lost 9% of all jobs, likely due to pandemic-related travel restrictions, social distancing measures, and subsequent economic impacts. The largest decline in jobs was in the food services and accommodation industry, which is most closely tied to the tourism industry. Employment in West Maui has not fared well due to over half of the employment concentrated in food services and accommodations including some retailers which cater heavily on tourism travel.

Figure 4: Maui County Employment by Industry, 2019 Q2 to 2020 Q3

| Industry | 2019 (Q2) | 2022 (Q3) | # Change | % Change |
|---------------------------------|---------------|---------------|----------------|--------------|
| Industrial | 11,000 | 10,400 | (600) | -5.5% |
| Retail | 9,900 | 9,000 | (900) | -9.1% |
| Office-Based | 11,600 | 10,400 | (1,200) | -10.3% |
| Education and Healthcare | 9,400 | 9,300 | (100) | -1.1% |
| Food Services and Accommodation | 25,600 | 22,200 | (3,400) | -13.3% |
| Public Administration | 9,400 | 8,700 | (700) | -7.4% |
| Other | 3,400 | 3,100 | (300) | -8.8% |
| Total | 80,300 | 73,100 | (7,200) | -9.0% |

Source: UHERO Quarterly Employment Data

Figure 5: Number of Jobs Lost by Industry in Maui County, 2019 Q2 to 2022 Q3



Source: UHERO Quarterly Employment Data

Figure 4 shows businesses in the accommodation, food services, and entertainment and recreation industry that have been the most directly impacted by COVID-19. Food service and accommodations makes up 51% of jobs in the study area and is an important industry for the West Maui study area economy. Employment in this industry has decreased by 13.3% (3,400 jobs) in Maui County from 2019 to 2022 (Figure 5 and Figure 6), which has significant direct and indirect economic impacts to businesses located in the study area. Most notably, food services, entertainment, and recreation businesses have been most impacted by travel restrictions and impacts on the tourism industry.

Figure 6: Maui County Employment in Service-Providing Jobs, 2019 Q2 to 2022 Q3

| Industry | 2019 (Q2) | 2022 (Q3) | # Change | % Change |
|---------------------------------|---------------|---------------|----------------|---------------|
| Arts, Entertainment, Recreation | 2,300 | 1,300 | (1,000) | -43.5% |
| Accommodation | 12,900 | 11,900 | (1,000) | -7.8% |
| Food Services | 10,400 | 9,000 | (1,400) | -13.5% |
| Total | 25,600 | 22,200 | (3,400) | -13.3% |

Source: UHERO Quarterly Employment Data

4 MARKET CONDITIONS AND TRENDS

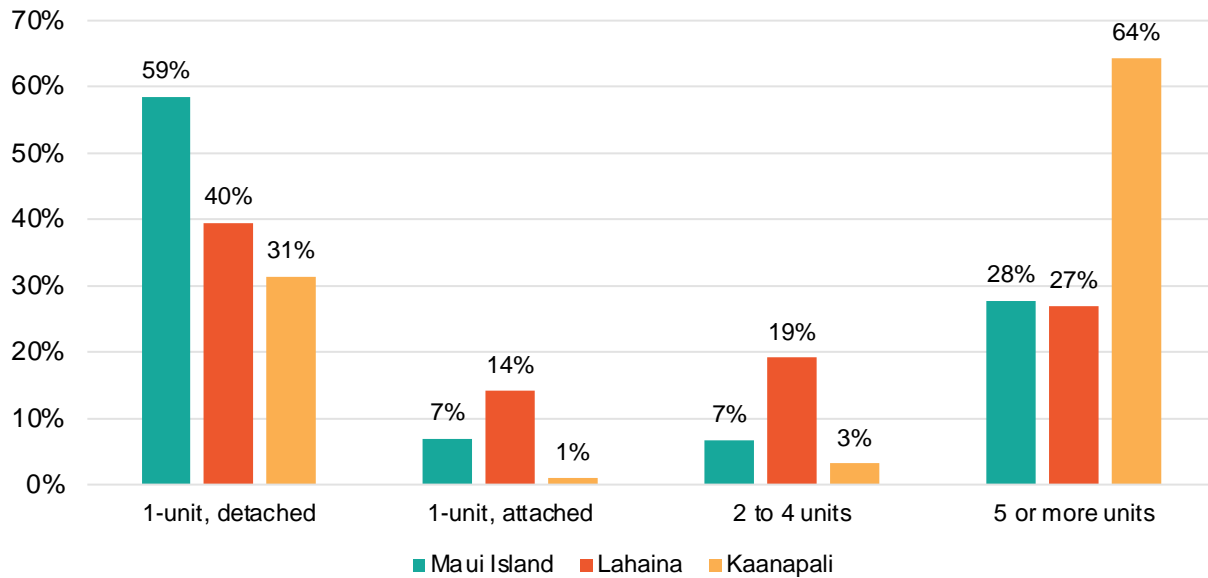
This section presents information about the local and island-wide residential and commercial markets. It presents real estate market trends that will likely influence development in the study area.

RESIDENTIAL REAL ESTATE MARKET

Existing Housing Stock

According to the American Community Survey (ACS), both Lāhainā and Kā'anapali have a lower share of single detached units than Maui Island overall, with 37% and 28%, respectively. Lāhainā has a higher share of middle density housing than both Kā'anapali and the island overall, with 21% of housing units in a two- to four-unit structure. Kā'anapali has a significantly higher share of higher density units than both Lāhainā and the island, with 66% of units in this category. This is likely due to the prevalence of condo timeshares, vacation homes, and short-term rentals.

Figure 7: Share of Housing Units by Housing Type, 2021



Source: 2017-2021 5-Year Estimates

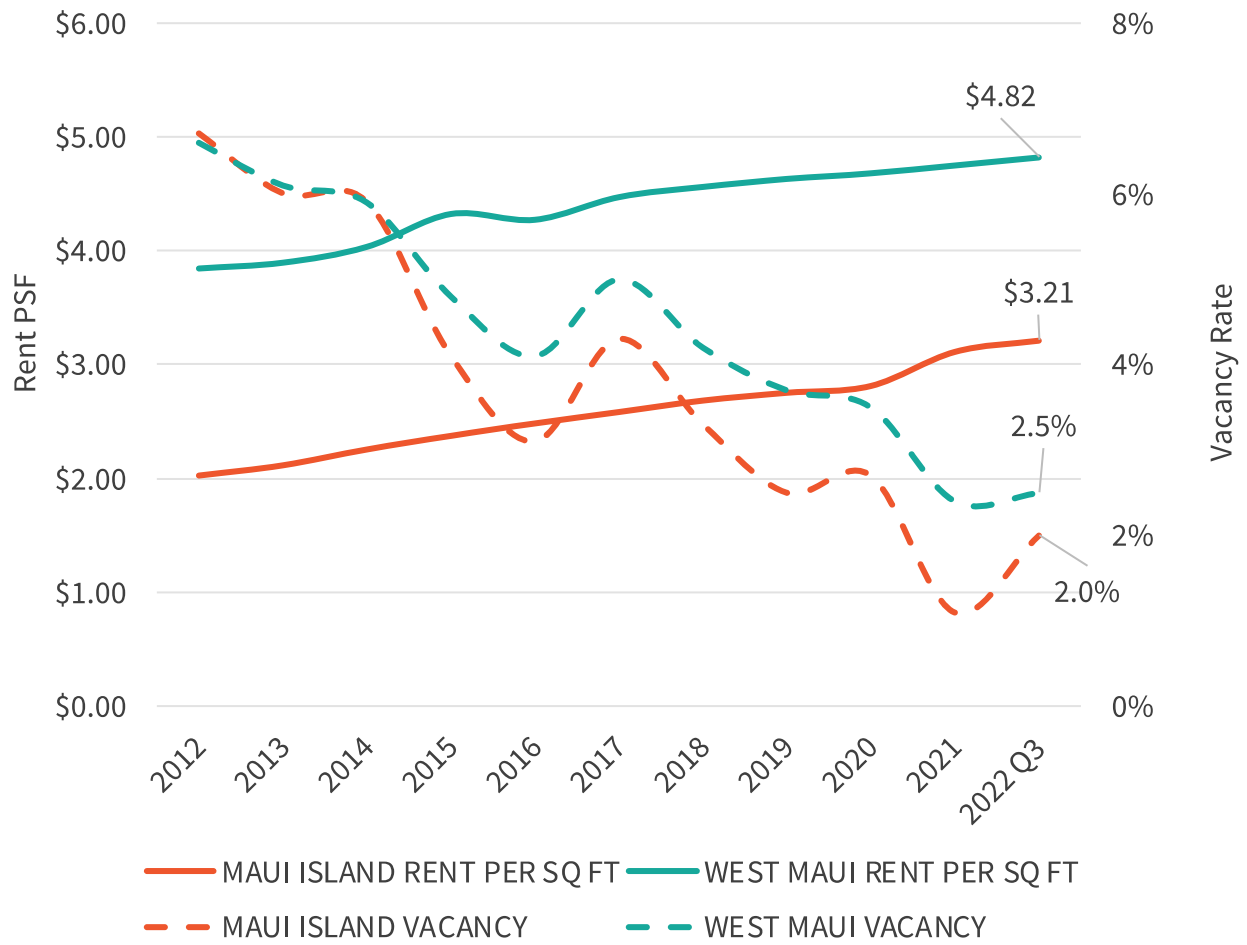
Multifamily Long-Term Rentals (Rentals)

Rent and Vacancy

Based on CoStar data, all multifamily³ inventory in West Maui is concentrated in Lāhainā. Overall, market rate rents in the West Maui study area are higher than those on the island as a whole. While rents for multifamily rentals on Maui Island rose at a faster rate than rentals in the study area, the study area saw steady rent growth from 2012 to 2022. Multifamily rents in the study area increased \$0.98 per square foot or 26% from \$3.84 in 2012 to \$4.82 in 2022 Q3 (Figure 8). While Maui Island saw a \$1.19 per square foot or 59% increase in the past decade. Vacancy rates in the study area generally mirrored those of the island overall, dropping steadily over the past decade. As of 2022, the West Maui study area's multifamily rental vacancy rate was 2.5%, slightly higher than that of Maui (2.0%). Low vacancy rates and positive net absorption for both market areas indicate a demand for multifamily housing in the study area and on Maui Island.

³ Residential structures typically containing five or more dwelling units for rent. This could contain apartments or condo units.

Figure 8: Multifamily Rent per Square Foot and Vacancy Rates, West Maui, and Maui (2012-2022)



Source: CoStar

Single-Family and Condominiums

Sales Prices

In general, homes in Kā’anapali tend to be much more expensive than homes in Lāhainā. The median sales price for a single-family home from 2020 to 2022 was \$2.45 million in Kā’anapali and \$1.8 million in Lāhainā. On the island overall, single-family homes sold at a lower median price of roughly \$900,000. Generally, across all markets median home prices reached a peak in the beginning of 2022—when interest rates were still low. However, throughout 2022, the housing market began to cool as interest rates increased. This increased housing costs to new would-be homebuyers—diminishing the demand for homes and as a result home prices have decreased. The West Maui study has recently experienced this effect, most notably in Lāhainā.

Figure 9: Single-Family Home Sales in Kā’anapali and Lāhainā, 2020-2022

| | Median Price per Square Foot | Average Unit Size (SF) | Median Sale Price | Number of Units Sold |
|-------------------|------------------------------|------------------------|--------------------|----------------------|
| Kā’anapali | \$729 | 3,362 | \$2,450,000 | 81 |
| 2-bed | \$905 | 1,481 | \$1,340,000 | 3 |
| 3-bed | \$822 | 2,980 | \$2,450,000 | 31 |
| 4-bed | \$748 | 3,169 | \$2,368,750 | 34 |
| 5+ bed | \$753 | 3,933 | \$2,960,000 | 13 |
| Lāhainā | \$844 | 2,132 | \$1,800,000 | 132 |
| 2-bed | \$1,927 | 1,052 | \$2,027,500 | 32 |
| 3-bed | \$637 | 1,726 | \$1,100,000 | 49 |
| 4-bed | \$1,155 | 3,059 | \$3,533,000 | 29 |
| 5+ bed | \$586 | 3,453 | \$2,025,000 | 22 |

Source: Redfin

Condominiums offer a somewhat less expensive ownership alternative in the West Maui study area, with a median sale price of \$1.1 million in Kā’anapali and \$750,000 in Lāhainā from 2020 to 2022. Median sales prices for condos on Maui overall are about \$819,000. Compared to single-family homes, the condo market is expensive in the study area; however, condos on the island have an average sale price close to or greater than single-family homes. Given high sale prices, home ownership is likely unaffordable to many local residents.

Figure 10: Condo Sales in Kā'anapali and Lāhainā, 2020-2022

| | Median Price per Square Foot | Average Unit Size (SF) | Median Sale Price | Number of Units Sold |
|-------------------|------------------------------|------------------------|--------------------|----------------------|
| Kā'anapali | \$1,023 | 1,076 | \$1,100,000 | 435 |
| Studio | \$1,371 | 503 | \$690,000 | 62 |
| 1-bed | \$1,067 | 862 | \$920,000 | 175 |
| 2-bed | \$1,073 | 1,328 | \$1,425,000 | 158 |
| 3+ bed | \$1,397 | 1,911 | \$2,670,000 | 40 |
| Lāhainā | \$697 | 1,076 | \$750,000 | 192 |
| Studio | \$1,038 | 452 | \$469,000 | 23 |
| 1-bed | \$912 | 970 | \$885,000 | 48 |
| 2-bed | \$659 | 1,152 | \$760,000 | 79 |
| 3+ bed | \$604 | 1,378 | \$832,700 | 42 |

Source: Redfin

Figure 11 shows the housing costs in relation to the income required to afford a home. For comparison the median family income in Maui is \$101,100⁴ in 2022. A general rule of thumb, housing is affordable if housing costs make up 30% or less of a family's annual income. This indicates that a family would need to earn more than \$450,000 to afford the average single detached unit in Lāhainā and over \$612,000 to afford the average single detached unit in Kā'anapali. While condos are less expensive, a family would need an income of over \$187,000 to afford the average condo in Lāhainā.

Figure 11: Housing Costs in Relation to Area Median Income, 2020-2022

| Type of Unit | Average Sale Price | Required Family Income to Afford Housing |
|----------------------------|--------------------|--|
| Kā'anapali Single Detached | \$2,450,000 | \$612,500 - \$700,000 |
| Kā'anapali Condo | \$1,100,000 | \$275,000 - \$314,286 |
| Lāhainā Single Detached | \$1,800,000 | \$450,000 - \$514,286 |
| Lāhainā Condo | \$750,000 | \$187,500 - \$214,286 |

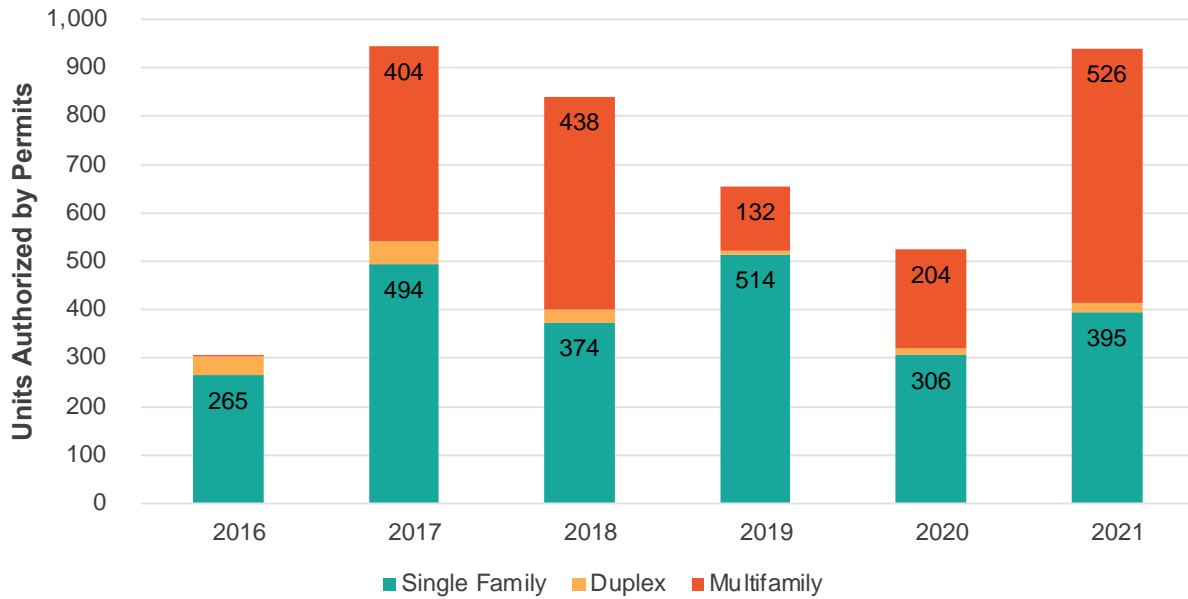
Source: Redfin, ECONorthwest Calculations

⁴ FY 2022 HUD Maui County Median Family Income

Development Trends

Following a jump in overall housing production in Maui County from 2016 to 2017, production declined from 2017 to 2020 then jumped 79% from 2020 to 2021 with 940 units permitted. On average, just over 700 units per year were permitted between 2016 and 2021. Single-family housing made up the majority of permitted units, with 2,348 units permitted. In contrast, only 1,707 multifamily and 158 duplex units were permitted.

Figure 12: Maui County Housing Production, 2016-2021



Source: The State of Hawai'i Data Book 2021, Table 21.07

Key Findings

Key findings for the residential market in the West Maui study area include the following:

- According to the ACS, Both Lāhainā and Kāʻanapali have a lower share of single detached units than Maui Island overall, with 37% and 28%, respectively. Lāhainā has a higher share of medium-density housing than both Kāʻanapali and the island overall, with 21% of housing units that are part of a two- to four-unit structure. Kāʻanapali has a significantly higher share of higher density housing units, with 66% of units.
- According to CoStar, multifamily rents in the West Maui study area have grown steadily from 2012 to 2022 and have remained higher than Maui Island rents. As of 2022 Q3, market rate multifamily rents in the study area were \$4.82 per square foot, and \$3.21 per square foot on Maui Island as a whole.
- Vacancy rates in the West Maui study area generally mirrored those of the island overall. Vacancy rates in both areas decreased from 2012 to 2022; as of 2022 Q3, vacancy rates were at very low levels of 2.5% in the West Maui study area and 2.0% on the island overall.
- Given high sale prices, home ownership is likely unaffordable for many local residents. In general, homes in Kāʻanapali tend to be much more expensive than homes in Lāhainā, likely due to the prevalence of vacation homes, time shares, and short-term rentals. In general, homes in the West Maui study area are more expensive than the island overall.

COMMERCIAL REAL ESTATE MARKET

This section details the West Maui study area and Maui Island's real estate conditions and identifies market drivers and trends that will influence the market appeal and viability of a range of commercial uses in the study area. Figure 13 summarizes West Maui's commercial real estate market; around 13% of Maui Island's commercial space is in the West Maui study area. This submarket is largely characterized by retail space (73%) and industrial space (22%). Office and flex spaces occupy a small share of the market, representing 3% of total commercial space each.

Figure 13: Current State of Maui's Commercial Real Estate Market (2022 Q1)

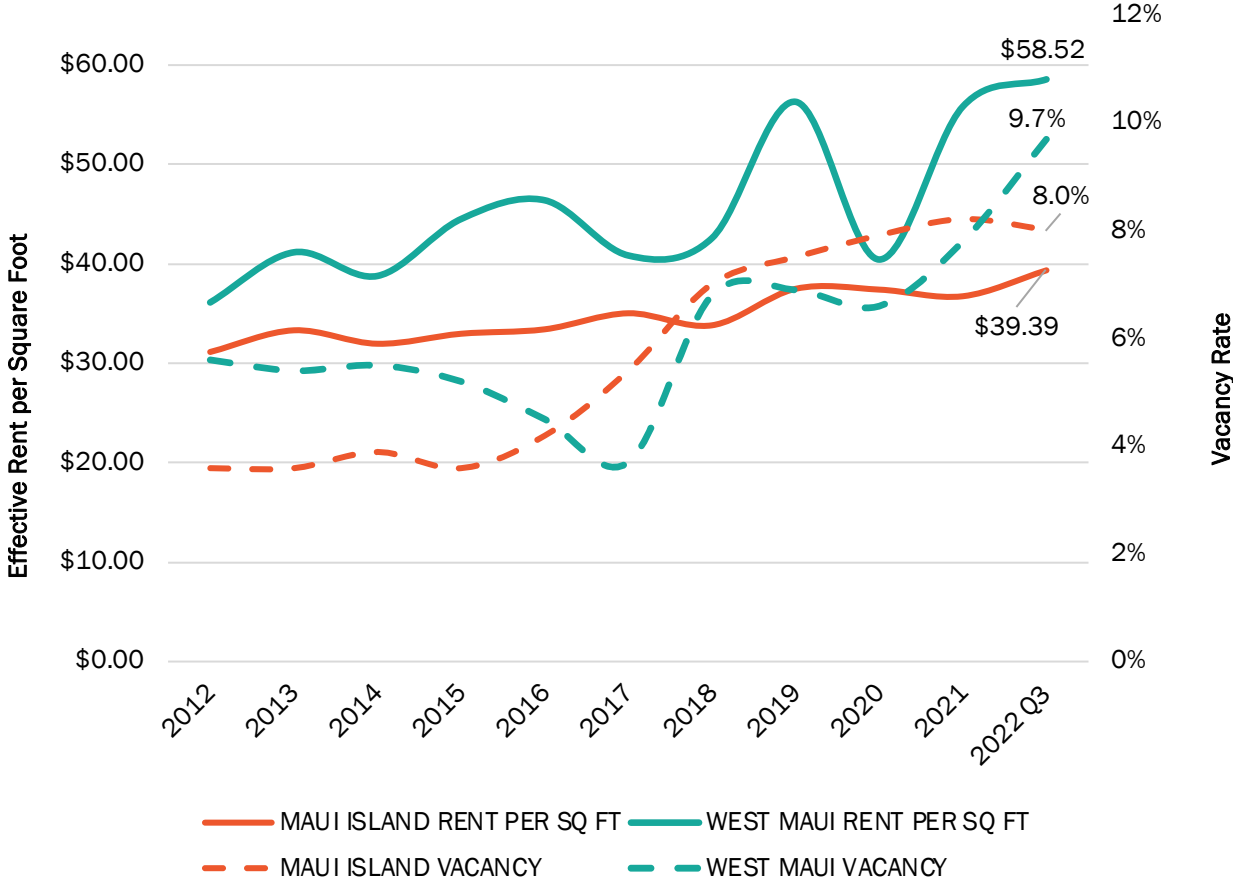
| Real Estate Submarket | Inventory (Buildings) | % of Total Commercial Space | Total Existing Space (sq. ft.) | Available Space (sq. ft.) | Proposed or Under Construction (sq. ft.) | Vacancy Rate |
|-----------------------|-----------------------|-----------------------------|--------------------------------|---------------------------|--|--------------|
| West Maui | 217 | | 2,460,524 | 174,275 | - | |
| Office | 10 | 3% | 62,922 | - | - | 0.1% |
| Retail | 169 | 73% | 1,788,420 | 173,580 | - | 9.7% |
| Industrial | 34 | 22% | 544,704 | - | - | 0.1% |
| Flex | 4 | 3% | 64,478 | 695 | - | 1.1% |
| Maui Island | 1,224 | | 16,002,389 | 818,693 | 4,852 | |
| Office | 216 | 14% | 2,188,051 | 81,930 | - | 3.7% |
| Retail | 721 | 54% | 8,645,119 | 691,236 | 4,852 | 8.0% |
| Industrial | 265 | 29% | 4,677,581 | 34,220 | - | 0.7% |
| Flex | 22 | 3% | 491,638 | 11,307 | - | 2.3% |

Source: CoStar

Retail Market

The West Maui study area has a sizeable retail inventory that is roughly 23% of Maui Island’s total retail inventory. There are 169 retail buildings in the West Maui study area, 92% of which are in Lāhainā and the rest in Kā’anapali. Maui Island’s retail market saw steady rent growth between 2012 and 2022, increasing 27% compared to 62% in the West Maui study area (despite larger fluctuations). As of 2022, rents for retail space in the study area were \$58.52 per square foot. Vacancy rates in both markets also increased from 2012 to 2022. In 2022 Q3, vacancy rates in the study area were at 9.7%, while in Maui Island vacancy was at 8.0%.

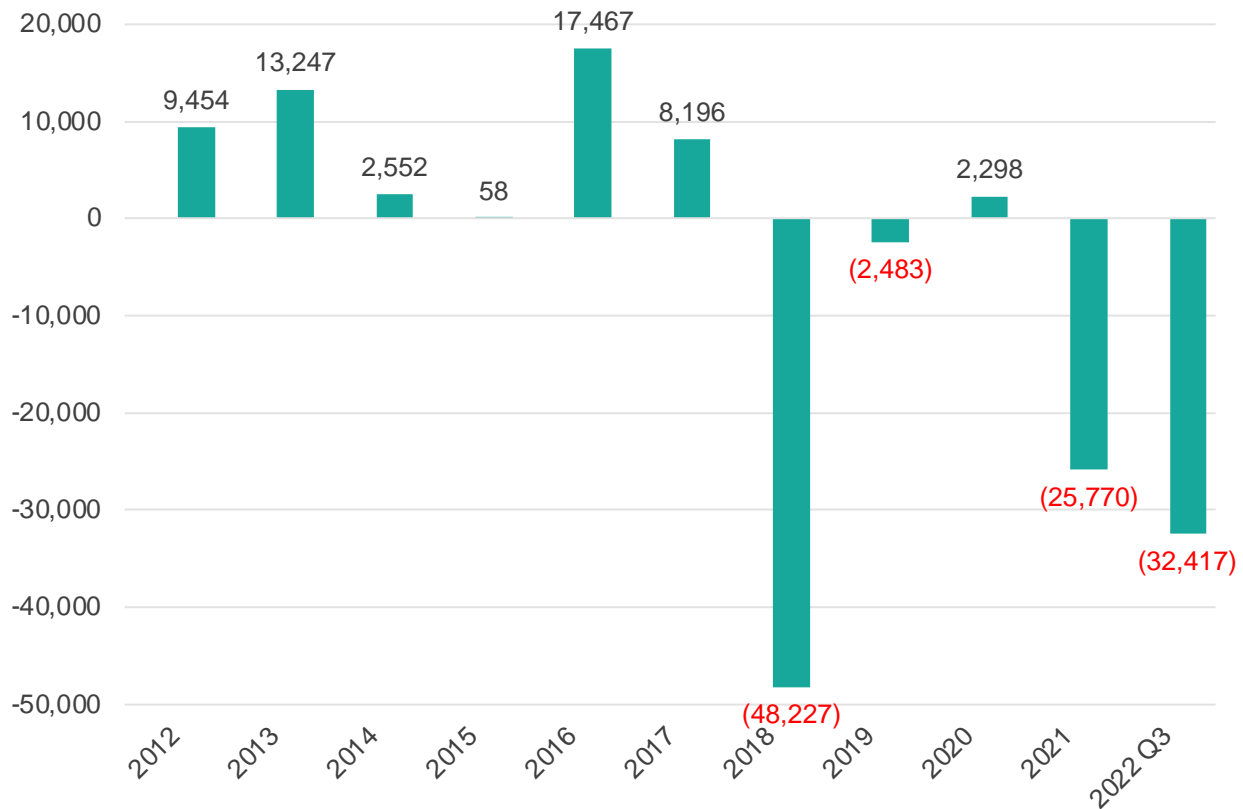
Figure 14: Retail Triple-Net Lease (NNN) Rent per Square Foot and Vacancy Rate, West Maui, and Maui (2012-2022)



Source: CoStar

In recent years, net absorption has been negative in West Maui, indicating a possible decrease in demand for retail space. This trend also corresponds with the recent rise in vacancy rates for West Maui. Retail market trends indicate that retail demand is decreasing in the West Maui study area, which could possibly lead to lower retail rents in the near future.

Figure 15: Retail Deliveries⁵ (Square Feet), West Maui (2012-2022)



Source: CoStar

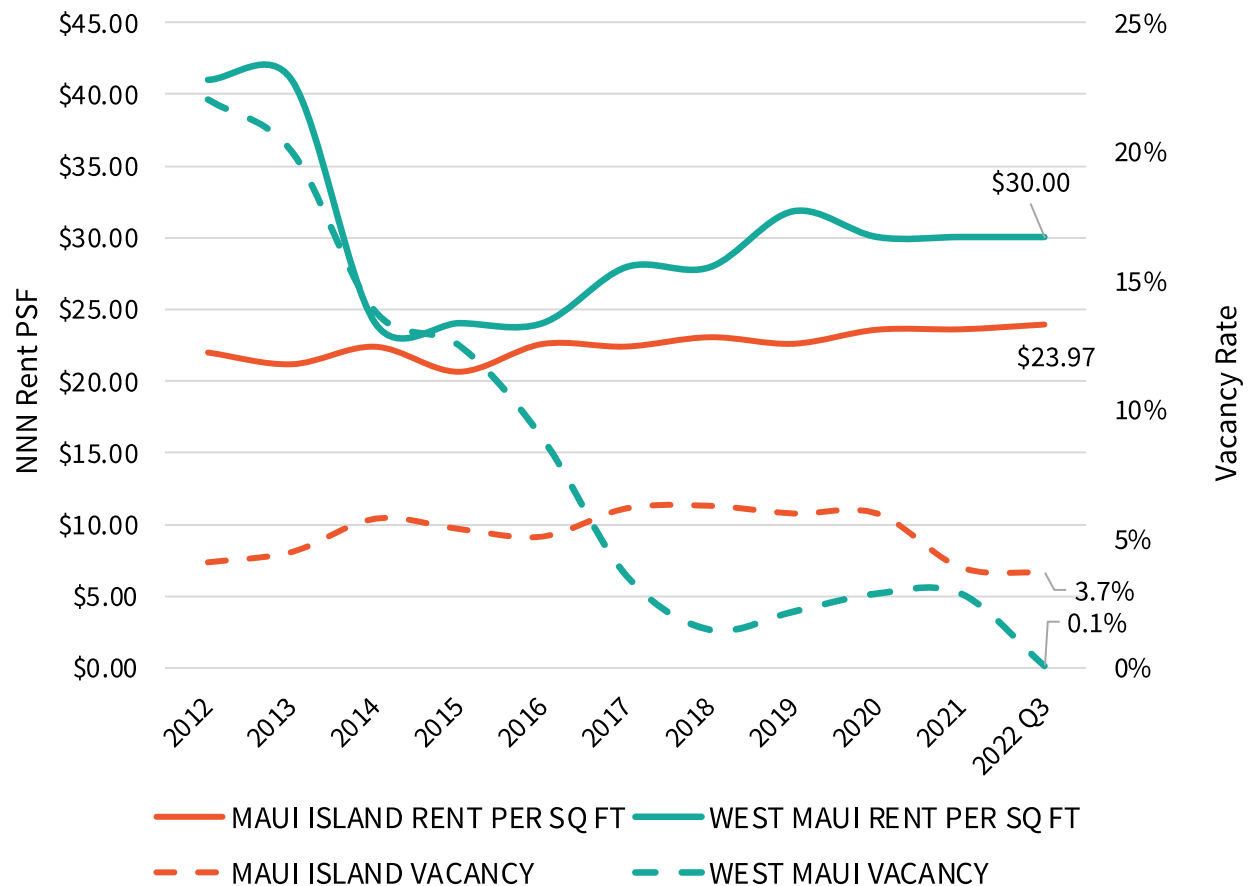
Office Market

According to CoStar, there is a small inventory of office space in the West Maui study area, primarily located in Lāhainā. In 2022 Q3, there was 62,922 square feet of office space in the study area in 10 office buildings. Based on CoStar information, there was little to no office space in Kā’anapali in 2022 Q3. In the West Maui study area, office rent rates peaked in 2013 and dropped significantly in 2014. Since 2014, office rents have steadily increased \$6.00 per square foot or 25%, from \$24.00 per square foot in 2014 to \$30.00 per square foot in 2022 Q3. On Maui Island, office rents have remained relatively consistent from 2012 to 2022; in 2022 Q3, office rents in the West Maui market were generally 25% higher than the rest of Maui Island.

Office vacancy rates on Maui Island remained relatively steady at around 4% between 2012 and 2022. In the West Maui study area, vacancy rates declined from 22% in 2012 to nearly zero in 2022. However, given the limited amount of office space in the study area, additional conversations with local brokers and real estate professionals are needed to supplement these findings.

⁵ New retail space constructed.

Figure 16: Office Triple-Net Lease (NNN) Rent⁶ per Square Foot and Vacancy Rate, West Maui, and Maui (2012-2022)

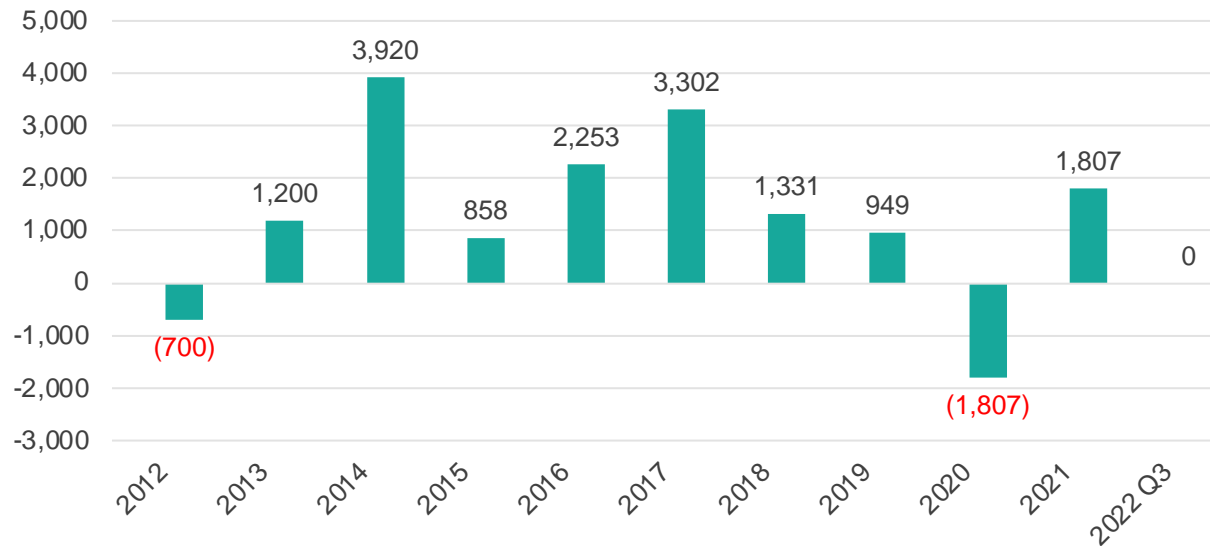


Source: CoStar

In the West Maui study area, net absorption was positive by over 13,000 square feet between 2012 and 2022 Q3, and there were no new office deliveries (new construction) to the market in the past decade. With the exception of two years—including 2020, when COVID-19 affected office space needs—net absorption has been positive, indicating a continued demand for office space in the study area. Low vacancies and positive net absorption have fueled high office rents in the study area. On Maui Island overall, net absorption was positive by roughly 106,000 square feet, and 92,000 square feet were delivered to the market.

⁶ A triple net lease (triple-net or NNN) is lease agreement on a property where the tenant pays all the expenses of the property, including real estate taxes, building insurance, and maintenance.

Figure 17: Office Net Absorptions (Square Feet), West Maui (2012-2022)



Source: CoStar

Key Findings

Key findings for the office and retail markets in West Maui include the following:

- There is a small amount of office space in the West Maui study area; with little to no office space in Kā'anapali, the study area's office inventory is primarily composed of 10 buildings in Lāhainā. There are 166 retail buildings in the study area, and 92% are located in Lāhainā.
- Since 2014, the West Maui study area office rents have steadily increased \$6.00 per square foot, or 25%. Since 2012, vacancy rates have declined to very low levels of 0.1% in 2022 Q3. This indicates that the office market in the study area is constrained, and rents will continue to rise as demand increases.
- Since 2012, retail rents have increased 62%, to a decade-high of \$58.52 per square foot in 2022 Q3. Since the onset of the COVID-19 pandemic in 2020, retail vacancy has increased to 9.7% in 2022 Q3, indicating a reduced demand for retail space.
- There were no deliveries (new construction) in office and retail space in the West Maui study area from 2012 to 2022, and net absorption was negative by 56,000 square feet from 2012 to 2022.

Industrial and Flex Real Estate Market

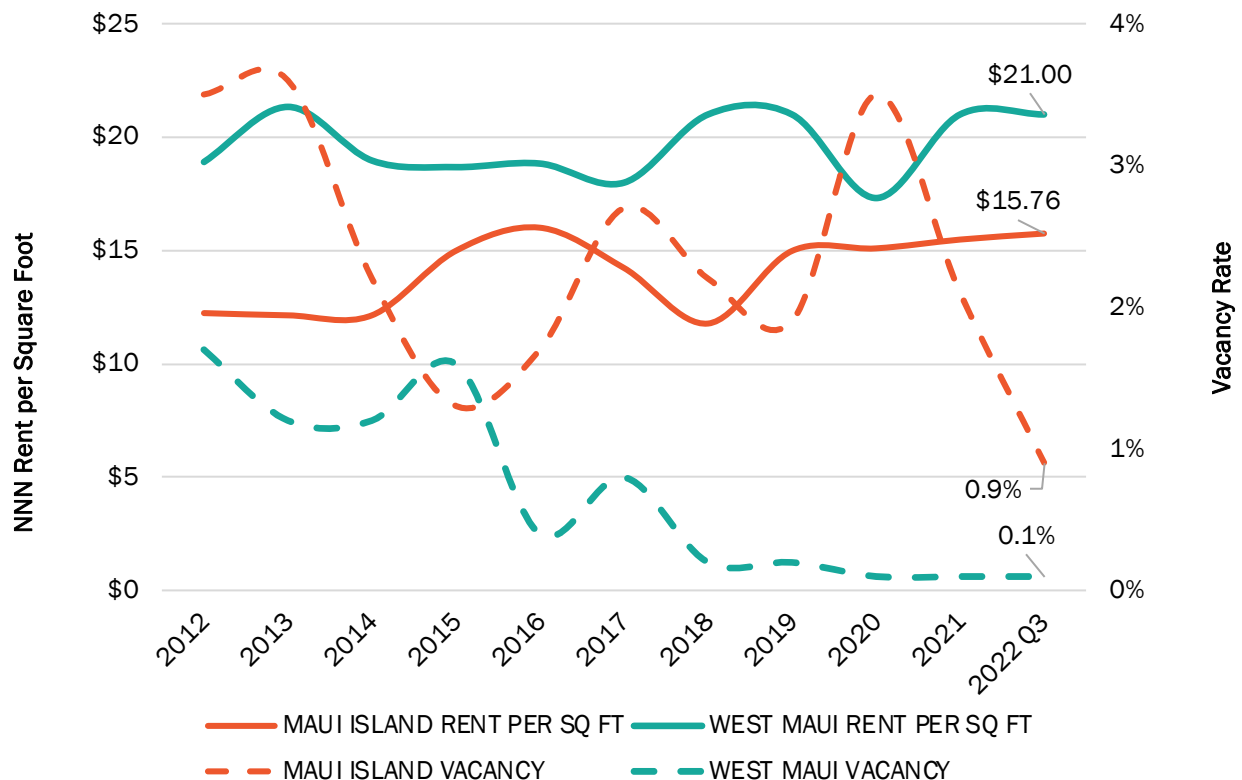
Around 10.5% of Maui’s flex and industrial space is located in the West Maui study area. Industrial space refers to commercial real estate used for manufacturing, production, storage, and distribution activities. Flex space is a multi-use commercial real estate concept that combines traditional office space with industrial space, offering versatility and adaptability for various business needs.

Rents for these spaces have remained relatively stable in the West Maui study area since 2012, with rates slightly higher than Maui Island overall. Vacancy rates for these spaces have remained low in the study area, decreasing slightly since 2012. Since 2018, over 25,000 square feet of flex and industrial space has been delivered in the study area, with over 34,000 square feet of flex and industrial space absorbed over the same period. Together with increasing rents and low vacancy rates, these absorption and delivery trends indicate a strong demand for flex and industrial space in the study area.

Rent and Vacancy

Industrial/flex rents in the West Maui study area are slightly higher than Maui Island overall. Rents were relatively stagnant in both areas, with slight increases from 2012 to 2022. In the study area, rents increased 11% to \$21.00 per square foot in 2022 Q3; on the island, rates increased 29% to \$15.76 per square foot. With some fluctuation, industrial/flex vacancy rates in the study area declined from 2012 to 2022. As of 2022 Q3, industrial vacancy rates were at 0.1% in the study area. Vacancy rates on Maui Island were slightly higher and more volatile; as of 2022, vacancy rates were at 0.9%.

Figure 18: Industrial/Flex Real Estate Rent per Square Foot and Vacancy Rate, West Maui, and Maui (2012-2022)

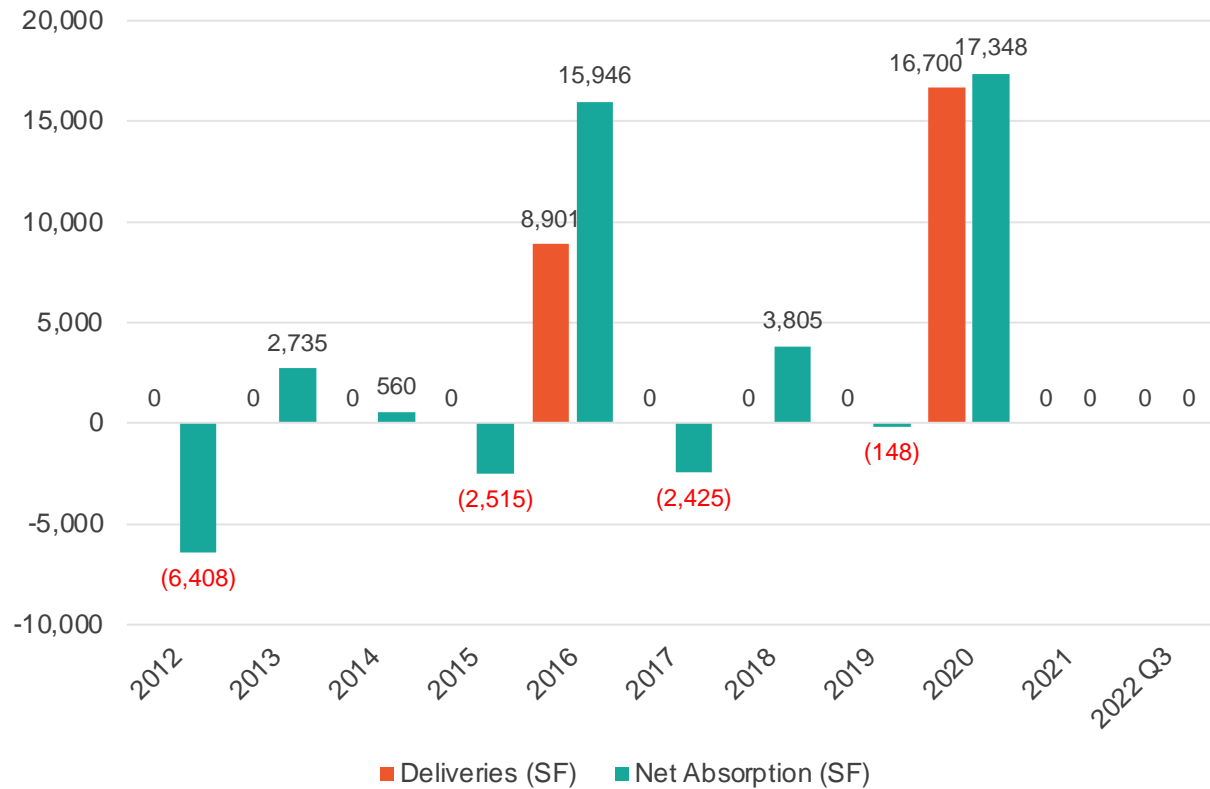


Source: CoStar

Development and Absorption Trends

From 2012 to 2022, just over 28,000 square feet of flex and industrial space was absorbed in the West Maui study area. Since 2012, three new industrial/flex buildings were delivered to the study area, totaling approximately 25,600 square feet. In contrast, 271,000 square feet of flex and industrial space was delivered to Maui overall, with 363,000 square feet absorbed.

Figure 19: Industrial Real Estate Deliveries and Absorptions (Square Feet), West Maui (2012-2022)



Source: CoStar

Key Findings

Key findings for the industrial and flex market in the West Maui study area include the following:

- Rents for industrial/flex space in the West Maui study area are higher than on the island overall and have remained relatively flat. As of 2022, lease rates were \$21.00 per square foot.
- Compared to retail space, lower lease rates for flex space in the West Maui study area mean that cost sensitive businesses and new businesses are likely to locate in available flex space rather than retail space. This means that flex buildings in the study area may blur the lines with retail spaces, as more service-oriented businesses like breweries and gyms locate in flex buildings.
- Vacancy rates for industrial/flex space in the West Maui study area are lower than the island overall and have decreased since 2017. As of 2022, there was essentially no vacant flex space available in the study area. This reflects the demand for both traditional flex tenants, as well as cost-sensitive businesses that locate in flex buildings over more expensive retail options.
- Net absorption has outpaced deliveries, which indicates extremely strong demand for industrial/flex space to serve start-up and maker businesses⁷ in the West Maui study area.

⁷ Creative maker businesses that create products from crafts such as leather goods and technology.