

CHAD TAKESUE DIRECT TESTIMONY

PRESENTATION HEARING

Land Block 2, Project 4 (Kalae) (KAK 22-024)

Q Please state your name, place of employment, and position.

A Chad Takesue, Realtor, Chief Operating Officer, Locations LLC.

Q How long have you been affiliated with Locations?

A I joined Locations in 2012.

Q Please describe your educational background and professional experience.

A Please see my resume, which is attached as an exhibit in this proceeding.

Q Please describe Location's experience.

A Founded in 1969, Locations is a full-service real estate company in Hawaii. Locations provides clients with not only real estate services, but also mortgage, escrow, and property management opportunities. We are the largest locally-owned real estate company in the State of Hawaii. We are well known and respected for our extensive knowledge and research in the residential real estate market, which allows us to provide excellent customer service. In the past five years, we were involved in the sale of over 2,000 new development units in the Honolulu urban core.

Q What has your firm been asked to do for this project, Kalae (Block B)?

A Victoria Ward, Limited (VWL) requested that we provide an analysis and conclusions regarding the Oahu real estate market, with a focus on the demand for market priced housing and parking in urban Honolulu and Kaka'ako.

Q Please describe your market analysis and conclusions.

A The Oahu real estate market remains strong. The major indicators of Oahu's strong demand for housing are described further below.

Lack of inventory

Lack of inventory for sale continues to increase pressure on prices and competition for buyers. Homes for sale remain scarce, with just over 400 active listings on the market as of April 2022. There were 51 percent fewer single-family homes for sale in April 2022 than in April 2020. Active listings for condos are under 1,000 as of April 2022. There are 20 percent fewer condos for sale than a year ago, and more than four in ten condos sold for above the list price in April – an increase of 38 percent from last year.

Market demand remains strong for new condo inventory. With the Oahu single-family median price above \$1M and mortgage rates greater than 5%, competition for condos and townhomes—which are typically priced lower than homes—has surged.

Months of Remaining Inventory (MRI), also called absorption, is a key indicator of the supply/demand balance. It basically says, if no new inventory was introduced, how fast would the existing inventory sell. Remaining Inventory has been at record lows for years. Currently, MRI for homes is at 1.4 months, its lowest point in the past 40 years. Condo MRI is at 3.8 months, which indicates competitive market conditions.

Rising prices:

As of March 2022, the Oahu single-family home median price increased by 21 percent from a year ago to \$1,150,000, while the condo median price increased by 16 percent to \$518,000 – both record highs. Although borrowing costs are greater now than in recent years, Locations does not anticipate a drop in home prices, due to a continued strong demand from buyers.

Lower number of days on the market

Days on Market remain near record lows. A low number of days on market is another indicator of strong market demand. Single-family homes were on the market for a median of 10 days in March 2022, which represents an increase of half a day from last year. Condos were on the market for a median of 11 days, which represents a decrease of five days from last year.

The number of sales bid up over asking prices remains at record highs

Bid-ups are the percent of sales that are bid-up over asking price in competitive bidding and are another key indicator of strong market demand and of upward pressure on prices. Bid-ups remains near record highs in March 2022, with 57.8 percent of single-family homes and 47.5 percent of condos sold for above asking price, representing an all-time high for condos.

Q Do you anticipate a continued demand for market-priced housing by local purchasers in the COVID recovery and post-COVID markets? If so, why?

A Yes. Current demand for Oahu housing is strong in all price points for single-family homes and condos to accommodate a range of economic levels, age groups, and housing choices. Demand for new condo inventory in urban Honolulu and Kaka’ako remains strong. Demand for new condo inventory in urban Honolulu and Kaka’ako is expected to continue to be strong according to key market indicators, such as, low inventory, low days on market, and record high bid-ups.

Increased quality of life and convenience are increasingly important to local buyers in today’s market. We see that local buyers are attracted to the many conveniences and benefits of living in urban Honolulu and Kaka’ako, including Ward Village. Currently, Victoria Place is the only residential building along Ala Moana Boulevard being constructed in Honolulu. Kalae will meet a demand in the Ward Village and urban Honolulu that is not being addressed, as other Ala Moana Boulevard fronting residences have been built and are now sold and occupied.

In summary, based on current trends and data, we anticipate a continued demand for market-priced housing by local purchasers in the COVID recovery and post-COVID markets.

Q Does the provision of new condo units in Kaka’ako benefit the Oahu housing market?

A Yes. The addition of new condo units in Kaka’ako is a welcome relief given that demand for housing at all levels continues to outpace supply. In addition, as a cascade effect of providing new condo units, we’ve seen buyers list their single-family homes for sale in order to transition to Kaka’ako where they can enjoy the proximity of modern amenities and active lifestyle in a thriving, vibrant community. The provision of new condo units through Kalae creates the likelihood of additional single-family inventory, which is beneficial to the overall Oahu housing market.

Q Does Locations have experience in the sale of residential units in the urban core with different options and configurations – for example, no parking stall vs. one parking stall vs. two parking stalls per unit and other configurations? In its experience, has Locations seen buyers decline parking if offered the option of decoupling parking from the sale of a unit?

A Yes. Locations agents have sold numerous units within the urban core including studio apartments, one-, two- and three-bedroom units. All these units have been offered with different parking configurations.

Regarding decoupling, Locations represented the Howard Hughes Corporation as the Broker for ‘A’ali’i and were tasked with offering the 150 reserved housing buyers an option to decouple parking in exchange for a credit of \$15,000. All 150 buyers declined the option to decouple parking.

Q In your expert opinion, is the availability and number of parking spaces assigned to a unit a factor in a buyer’s decision to purchase a unit within the urban core?

A Yes, parking is a significant factor to prospective buyers, even those within the urban core, including Kaka’ako. Most buyers have full time employment, and even with more people working from home, many still need to commute. In addition, while buyers in Kaka’ako enjoy the proximity to various amenities and recreation spaces, they enjoy full lives with activities that take them outside of Kaka’ako and the urban core. Therefore, adequate parking assigned to a unit is a significant factor to prospective buyers.

Q In your expert opinion, does proximity to future transit and the availability of ride share options reduce buyer demand for residential parking within the urban core?

A While future transit services may eventually reach the urban core in the years to come, today’s homebuyers are making purchases based on their current transportation needs. For households, especially families with two incomes, two cars are the norm and rarely would they make the transition to a single car household.

We have found that a number of our clients appreciate the aesthetic and integrated feel of Ward Village and enjoy the pedestrian and bike-friendly design of the neighborhood. However,

families lives are full as they navigate from work commitments, childcare and school, and other activities, many of which take them outside the urban core. While ride sharing might be utilized for select occasions, it is not feasible to satisfy all transportation needs families will have.

In addition, buyers will not only evaluate their current and anticipated needs for parking, but will also consider the potential resale of their unit. Buyers understand that parking stalls in the urban core are in demand and, therefore, buyers prefer to purchase a unit with parking as it is easier to sell in the future.

While transit-oriented living may be common in large metropolitan cities on the mainland where public transit is well-developed, it has not yet been fully embraced by buyers in Hawaii. From our area of expertise, Hawaii is still very much a car culture. In short, possible future transit services and the availability of ride share options are not expected to reduce buyer demand for residential parking within the urban core.

Reducing the total number of parking stalls based on an assumption that buyers might utilize transit or increasingly utilize ride share options is risky as there is a strong demand for two parking stalls even for studios and one-bedroom units. We have witnessed projects in the urban core offering additional stalls for sale to owners, and the demand quickly absorbed those additional stalls.

Q What is your understanding of the parking planned for Kalae?

A Kalae will provide 559 parking stalls for the 330 units. This is 114 over the 445 HCDA minimum required number of parking stalls. Given that Kalae plans to include 132 one-bedroom units, 132 two-bedroom units, and 66 three-bedroom units, the number of parking stalls planned for Kalae is reasonable, appropriate and is necessary to fulfill market demands.

Q In your expert opinion, what would be the impact of reducing the number of parking stalls below the 559 planned parking spaces at Kalae?

A In my opinion, reducing the number of parking stalls at Kalae from 559 parking stalls to 445 parking stalls, the HCDA required minimum, would significantly and adversely affect the marketing and sales of units at Kalae and VWL's execution of the Ward Neighborhood Master Plan.

As discussed previously, demand for parking in the urban core is strong and buyers need and expect adequate parking assigned to their respective units. The number of planned parking stalls, 559 parking stalls, for the 330 units planned is appropriate to meet the needs of the buyers for Kalae. We have also seen a significant difference in the sales of units that provide only one parking stall for a two- or three-bedroom unit. Those units are difficult to sell.

In addition, insufficient parking within a residential area, as a general matter, leads to increased demand for street parking, which in turn increases traffic congestion and adversely affects pedestrian and bicyclist access and safety.

Neighborhoods such as Makiki and the area mauka of Ala Moana Center near Kaheka Street, where a high density of condominiums with a low ratio of parking stalls to square footage has

led to a significant demand for street parking. Many of the two-bedroom units in those areas have one parking stall, and a number of the one bedroom and studio units have no parking, which not only affects the marketability of the units in those neighborhoods, but also results in increased traffic and congestion in the surrounding streets.

Increased traffic and congestion in the streets poses safety and security risks for those forced to circle the neighborhoods for parking. With recent increases in property related and violent crimes, providing safe, secure parking for residences is especially important. In our view, the congestion and demand for street parking in neighborhoods such as Makiki has been an ongoing problem, and will continue for the near future despite the advent of ride-sharing services and potential future mass transit options.

Adequate parking for Kalae is essential to avoiding traffic and congestion in the streets in Kaka'ako, and to promote active, pedestrian friendly streets consistent with the vision and intent of the Ward Neighborhood Master Plan and the Kaka'ako Mauka Plan.

In addition, adequate parking for Kalae residents on-site also helps free up public parking areas for visitors to the Kaka'ako area to use and enjoy the commercial and retail establishments and park spaces in the area.

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