

CHAD TAKESUE DIRECT TESTIMONY

PRESENTATION HEARING

Block D (Land Block 4, Project 1) (KAK 23-037)

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

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

Q How long have you been affiliated with Locations?

A I joined Locations in 2005.

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, Block D?

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 aspects of the Project relevant to your market analysis and conditions.

Block D represents the next milestone in VWL's commitment to the revitalization of Kaka'ako, and will be located within Land Block 4 in the Auahi neighborhood, which is bounded by Auahi Street to the north (mauka), the future Diamond Head Plaza Park to the west, Block E to the east, and Ala Moana Boulevard to the south (makai).

Block D's building location and orientation enhance mauka-makai views and seamlessly integrate Block D with a pattern of a connected, walkable, and active community at Ward Village.

Block D faces the Diamond Head Plaza Park located along Kamake'e Street and preserves the mauka-makai Kamake'e view corridor. The Diamond Head Plaza Park will serve as a community gathering place with opportunities for both passive and active uses among lush landscaping, shade and flowering trees, a keiki play area, water feature, dining terrace, and ample lawn and bench seating.

Block D will deliver approximately 242 homes in various configurations; more than 8,000 square feet of commercial space; more than 65,000 square feet of outdoor and indoor recreational space; and more than 5,000 square feet of open space. The addition of new condo units in Kaka'ako continues to be a welcome relief given the continued low inventory of housing.

In addition to providing additional housing units, Block D will include ground floor commercial space along Auahi Street, and also facing the Diamond Head Plaza Park. Located at the Diamond Head-Makai side of Ward Village, Block D will generate new demand and support for Ward Village and Central Kaka'ako businesses alike. The ground floor commercial space along Auahi Street activates and adds visual interest to Auahi Street together with Anaha and the South Shore Market, creating an active pedestrian experience within Ward Village.

Please describe your market analysis and conclusions.

Although competitive pressures have eased from the pandemic-economy surge of late 2020 to early 2022, the Oahu real estate market remains strong. We expect competitive market conditions to persist. There is continued strong demand from buyers, and limited for-sale inventory and developable land insulates Oahu's market from some of the vulnerabilities seen in many Mainland markets. The major indicators of Oahu's strong demand for housing are described further below.

Lack of inventory

The lack of inventory for sale continues to put pressure on prices and competition for buyers. Although active inventory for single-family homes and condominiums has increased as compared to last year, inventory remains historically low.

Homes for sale on Oahu remain scarce, with 638 active listings on the market at the end of June 2023. Similarly, condos for sale on Oahu are limited, with 1,210 active listings on the market at the end of June 2023.

Months of Remaining Inventory (MRI) 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 at the current absorption rate. Remaining Inventory has been at record lows for years. As of June 2023, MRI for homes is at 2.7 months. Condo MRI is at 2.9 months, which indicates competitive market conditions and that buyer demand still exceeds the market's low for-sale housing supply.

The number of sales bid up over asking prices remains high

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. Approximately 35 percent of single-family homes and 25 percent of condos sold for above asking price in June 2023.

Low number of days on the market

Days on Market remain relatively low and in line with pre-pandemic levels. 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 16 days in June 2023, while condos were on the market for a median of 18 days.

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 remains strong 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. Although competitive pressures have eased from the pandemic-economy surge of late 2020 to early 2022, 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 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, The Park Ward Village is the only residential building along Ward Avenue being constructed in Honolulu, and was 93% pre-sold as of the first quarter of 2023. Victoria Place is the only residential building under construction along Ala Moana Boulevard and is 100% pre-sold.

VWL continues to respond to community desires and market demands. To date, Waiea, Anaha, Kō'ula, Victoria Place, The Park Ward Village, Kalae, and The Launiu, provided sensible home sizes and generous recreational spaces. Home offerings at Ulana, Ke Kilohana, Ae'o, and 'A'ali'i deliver convenient mixed-use housing for Honolulu's budding workforce, professionals, and active urban residents. From a housing perspective, Block D will help meet a demand in the Ward Village and urban Honolulu housing spectrum that is not being addressed, as other Ala Moana Boulevard fronting residences are currently under construction and pre-sold, or 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 continues to be a welcome relief, especially given the continuing low inventory of housing. In addition, as a cascade effect of providing new condo units, we've seen buyers list their single-family homes for sale to transition to Kaka'ako where they can enjoy the proximity of modern amenities and active lifestyle in a thriving, vibrant community. Providing new condo units through Block D creates the likelihood of additional single-family inventory, which is beneficial to the overall Oahu housing market.

In addition, with Ulana Ward Village (KAK 21-001; Land Block 5, Project 2), VWL has already committed to providing all reserved housing units to satisfy the remaining reserved housing requirements for Ward Village, including the reserved housing for Block D, rather than in piecemeal fashion in future market rate projects. The upfront delivery of 697 reserved housing units through Ulana Ward Village provides significant public and economic benefits to the community, particularly as housing demand continues to outpace supply. Ulana Ward Village was 99% pre-sold as of the first quarter of 2023.

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, even with close proximity to possible transit options 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 Block D?

A Block D will provide approximately 477 off-street parking stalls. All stalls within Block D will be for residential and guest use. Approximately 22 commercial stalls will be provided within the district parking garage at the Ward Village Shops/South Shore Market and/or another facility within Ward Village.

The total parking designated for Block D (inclusive of the off-site commercial stalls) is 153 over the 346 HCDA minimum required number of parking stalls. Given that Block D will include 242 homes ranging from one to four bedrooms, the number of parking stalls planned for Block D is appropriate and necessary to fulfill market demands.

Q In your expert opinion, what would be the impact of reducing the number of parking stalls planned parking spaces for Block D?

A In my opinion, reducing the number of parking stalls at Block D from 477 parking stalls to 346 parking stalls, the HCDA required minimum, would significantly and adversely affect the marketing and sales of units at Block D, the functionality of the Project, 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, 477 parking stalls, for the 242 homes planned is appropriate to meet the needs of the buyers for Block D. 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 that provide only one parking stall 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. 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 Block D 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 Block D for 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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