



## **Appendix 21**

### **Market Study**

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May 19, 2021

Mr. Anthony Wrzosek  
Vice President of Planning and Development  
R.D. OLSON DEVELOPMENT  
520 Newport Center Drive, Suite 600  
Newport Beach, CA 92660  
Phone: (949) 283-5309  
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Dear Mr. Wrzosek:

In accordance with our agreement, we have updated our analysis of potential market demand and prepared a statement of estimated annual operating results for a proposed hotel (the proposed Kahana Hotel at Kahului Airport) to be located at the southeast corner of the intersection of Haleakala Highway and Kuleana Street in Kahului, Maui. The fieldwork for this study was undertaken in February 2019, and the updates reflect data compiled and market conditions as of April 2021.

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging market from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise our conclusions to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revisions in view of changes in the economy or market factors impacting the competitive lodging market.

Since the future performance of the competitive lodging market pertaining to the proposed hotel is based on estimates and assumptions that are subject to uncertainty and variation, we do not present them as results that will actually be achieved. However, our analysis has been conscientiously prepared on the basis of information obtained during the course of this assignment and on our experience in the industry. This report is subject to the statement of Assumptions and Limiting Conditions presented in the Addenda.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on the 11th March 2020, is causing heightened uncertainty in both local and global market conditions. Global financial markets have seen steep declines since late February largely on the back of the pandemic over concerns of trade disruptions and falling demand. Many countries globally have implemented strict travel restrictions and a range of quarantine and "social distancing" measures.

Market activity is being impacted in most sectors. As of the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of

potential future performance. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our market analysis is therefore reported on the basis of 'material uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our analysis than would normally be the case. Performance may change more rapidly and significantly than during standard market conditions. Given the unknown future impact that COVID-19 might have on the real estate and travel/tourism markets, we recommend that you keep this analysis under frequent review.

It is expressly understood that the scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other restrictions concerning the project, except where such matters have been brought to our attention and disclosed in the report.

This report was prepared to assist in analyzing the potential market position of the proposed subject hotel. This report is subject to the Terms and Conditions presented in the Addendum, as well as to the assumptions presented herein.

We appreciate the opportunity of working on this assignment and look forward to answering any questions you may have regarding our findings and conclusions presented herein.

Sincerely,

CBRE Hotels Advisory

A handwritten signature in black ink, reading "Amelia Lim.", with a horizontal line underneath.

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# Section I

## INTRODUCTION

## INTRODUCTION

### OVERVIEW OF THE MARKET STUDY

CBRE Hotels Advisory has been retained by R.D. Olson Development to perform a study of the potential market demand for a proposed 200-unit upscale select service hotel (the “Kanaha Hotel at Kahului Airport”) to be located within Maui Business Park Phase II, less than 0.5 miles from Kahului Airport, on the island of Maui, Hawaii. This report will estimate the size and value of the intended market, review visitor trends, identify existing and future competition, analyze historical and current key performance indicators for the competitive hotel market, and summarize other factors that could influence demand for the proposed hotel.

### UNDERLYING ASSUMPTIONS

Our analysis was based on the following set of assumptions:

- The Kanaha Hotel at Kahului Airport will be located on a 5.17-acre site in Kahului, within Maui Business Park Phase II. The site is situated at the southeast corner of the intersection of Haleakala Highway and Kuleana Street;
- The subject property will consist of 200 rooms, and will include a lobby, dining/lounge facilities, meeting rooms, fitness center and business center;
- The subject will also offer facilities and services consistent with its respective quality level; and,
- The subject will open on or about April 1, 2025.

### METHODOLOGY

In conducting the study, we:

- Physically inspected the proposed subject site in 2019 as well as existing surrounding developments;
- Assessed the impact of the proposed subject’s accessibility, visibility, and location relative to demand generators and overall marketability;
- Evaluated the proposed program for the subject hotel relative to its intended positioning;
- Researched and analyzed current economic and demographic trends on Maui with a focus on the select service market to determine the trends’ impact on future lodging demand within the market;
- Identified the competitive supply of lodging facilities in and around Kahului;
- Reviewed the historical performance levels for the competitive lodging supply on a composite basis;
- Estimated the anticipated growth in demand for, and supply of, lodging accommodations in the competitive market area; and
- Determined the optimum positioning of a hotel to be located at the subject site within the competitive market and prepared a forecast of the potential annual occupancy and average daily rate for the first five years of operation of the proposed subject.

Several sources were used in compiling the background information and preparing the analysis contained in this report. These resources included *Trends in the Hotel Industry*, published by CBRE Hotels Research; data on the local lodging market gathered through direct interviews with managers of the competitive properties; and economic data on the region from various local governmental and planning entities.

## **AREA REVIEW**

We gathered and analyzed relevant economic, demographic, and development data relative to the Kahului market and the island of Maui. The purpose of this analysis was to ascertain the economic climate in which the proposed subject hotel will operate and create a basis for projecting future economic conditions as they relate to the proposed subject hotel.

## **MARKET RESEARCH**

We have reviewed our database and conducted primary market research relative to the proposed hotel's competitive market and prepared a five-year history of occupancy and average daily rate trends. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of the competitive hotels and planning officials. Data on proposed projects was also researched and reviewed to determine the likelihood of future additions to supply.

## **PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES**

We analyzed historical growth and the characteristics of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2020 to 2030 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

## **SUBJECT OCCUPANCY AND AVERAGE DAILY RATE PROJECTIONS**

After completing our estimates of the market area's supply and demand, we estimated the share of the market that the proposed subject hotel should reasonably be expected to capture for its first five years of operation. From this we derived its annual occupancy percentages. After considering the historical average daily rate trends in the market and the projected market position for the proposed hotel, the proposed property's average daily rate was projected from its estimated opening in April 2025 through 2030.

## **HISTORICAL MARKET PERFORMANCE AND MARKET SHARE ESTIMATES**

The subject site is located Kahului, adjacent to Kahului Airport and within Maui Business Park. The location is an emerging destination for business and commerce, which positions the proposed subject hotel to capture a disproportionately large share of room nights generated by future growth in airport traffic and commercial activity. The market in Kahului and neighboring Wailuku is currently underserved by upscale, select-service hotels, and the opening of the Courtyard by Marriott Kahului in 2012 and its rapid capture of non-leisure related lodging demand underscores the extent of unsatisfied business demand present in the area.

We have analyzed the performance and mix of demand for the hotel properties with which the proposed subject is expected to compete. Considering economic and market indicators, we have estimated the market area's supply of and demand for hotel room nights and have estimated the

share of the market that the proposed hotel should reasonably be expected to capture for its first five years of operation. Based upon an analysis of the sources of demand available to the subject property and its estimated competitive position, we have estimated the occupancy percentage and average daily rate that could potentially be achieved in a representative year, in current value dollars, and over the first five years of operation.

In summary, accommodated demand within the market is projected to increase from roundly 154,200 room nights in 2021 to 249,900 room nights in 2030 representing an increase of 5.5 percent on a compounded average annual basis. The demand projections assume the capture of 11,000 room nights of unsatisfied leisure demand and 49,000 room nights of unsatisfied business/other demand within the competitive set between 2025 and 2026 with the entry of the subject hotel. Rooms supply within the market is projected to increase from 260,245 room nights in 2021 to 333,245 room nights in 2030, an increase of 2.8 percent on a compounded average annual basis.

The following table summarizes our estimates of occupancy, average daily rate, and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts. The projected results for 2025 represent only nine months of operations, beginning in April.

PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT PROJECTED PERFORMANCE OF THE SUBJECT										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	ADR	Percent Change	RevPAR	Percent Change
2025	55,000		37,300		68%	95%	\$257.00		\$174.29	
2026	73,000	32.7%	60,500	62.2%	83%	110%	\$278.00	8.2%	\$230.40	32.2%
2027	73,000	0.0%	61,700	2.0%	85%	113%	\$286.00	2.9%	\$241.73	4.9%
2028	73,000	0.0%	61,700	0.0%	85%	113%	\$295.00	3.1%	\$249.34	3.1%
2029	73,000	0.0%	61,700	0.0%	85%	113%	\$304.00	3.1%	\$256.94	3.1%
2030	73,000	0.0%	61,700	0.0%	85%	113%	\$313.00	3.0%	\$264.55	3.0%
<b>CAGR</b>	<b>5.8%</b>	<b>-</b>	<b>10.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.0%</b>	<b>-</b>	<b>8.7%</b>	<b>-</b>

Source: CBRE Hotels Advisory

## SUMMARY OF CONCLUSIONS

Based on our existing knowledge of the Maui and Hawaii hotel markets coupled with our research relative to this assignment, we are of the opinion that an opportunity exists for the development of a hotel at the subject site. Our conclusions are summarized below:

- The site's location within Maui Business Park and adjacent to Kahului Airport will position the proposed hotel to capture a high degree of airport- and business-related demand, as well as ancillary leisure demand. The market segmentation for the proposed Kanaha Hotel at Kahului Airport is projected to be 75 percent business/other and 25 percent leisure. Demand for the subject will consist of unsatisfied demand<sup>1</sup>.

<sup>1</sup> Unsatisfied demand represents demand that seeks accommodations in the market but is not satisfied due to factors which may include sell-outs during peak season, lack of a particular type of accommodation, lack of meeting space, or excessively high room rates.

- As the civic and commercial hub of Maui, and the island's transportation gateway, the Kahului/Wailuku market is currently underserved by hotels that cater to business-oriented travelers.
- In a typical year, absent the impact of COVID-19, business/other traveler segment represents more than 160,000 visitors annually to Maui. 160,000 business/other visitors would fill more than 430 hotel rooms each day. Even after adjusting for factors such as propensity to stay at a hotel and attrition, there is sufficient capacity for more than one 200-room hotel.
- Maui's tourism industry achieved new records in terms of visitor arrivals in 2019. Visitor arrivals increased by 5.0 percent, significantly above the long-term 1.6 percent average annual growth over the past 20 years. The growth in visitation during the latter half of the decade is the result of an unusually extended cycle of economic expansion. The growth trend was dramatically reversed in 2020, when visitor arrivals to Maui declined by 73.5 percent. Based on the Economic Research Organization at the University of Hawaii dated March 2021, visitor arrivals on Maui are projected to be significantly impacted by COVID-19: 2023 visitor arrivals are projected to remain below peak 2018 arrivals and 2023 visitor days are projected to be fewer than peak 2016 visitor days. A corresponding trend is observed for visitor expenditures, which are projected to remain below 2016 (peak) nominal amounts by 2023.
- The number of visitors to Maui have increased at the compounded average annual rate of 4.8 percent between 2015 and 2019 (excluding the impact of COVID-19) while the number of hotel rooms have declined at the compounded average annual rate of -2.7 percent over the same period. It is apparent that growth in visitor volume does not correlate to the supply of hotel rooms. Instead, incremental visitors are likely to stay at non-hotel properties such as vacation rentals and timeshares, both of which have supply growth rates that parallel the increased volume of visitors. A moratorium on new hotels is unlikely to curb visitor volume.
- An April 2020 study on vacation rentals commissioned by the Hawaii Tourism Authority states that, "...much of the incremental demand is being accommodated in home and vacation rentals" and estimates that between 30 to 74 percent of visitors that booked their stay in a home or vacation rental consists of induced demand. The number of vacation rental units on Maui have increased from 4,773 in 2015 to 5,749 in 2019 (20 percent). Based on the induced demand statistics presented in the Hawaii Tourism Authority study, we estimate an average of 110,000 induced visitors annually, and conclude that the proliferation of vacation rental units has been instrumental in the surge of visitors to Maui.

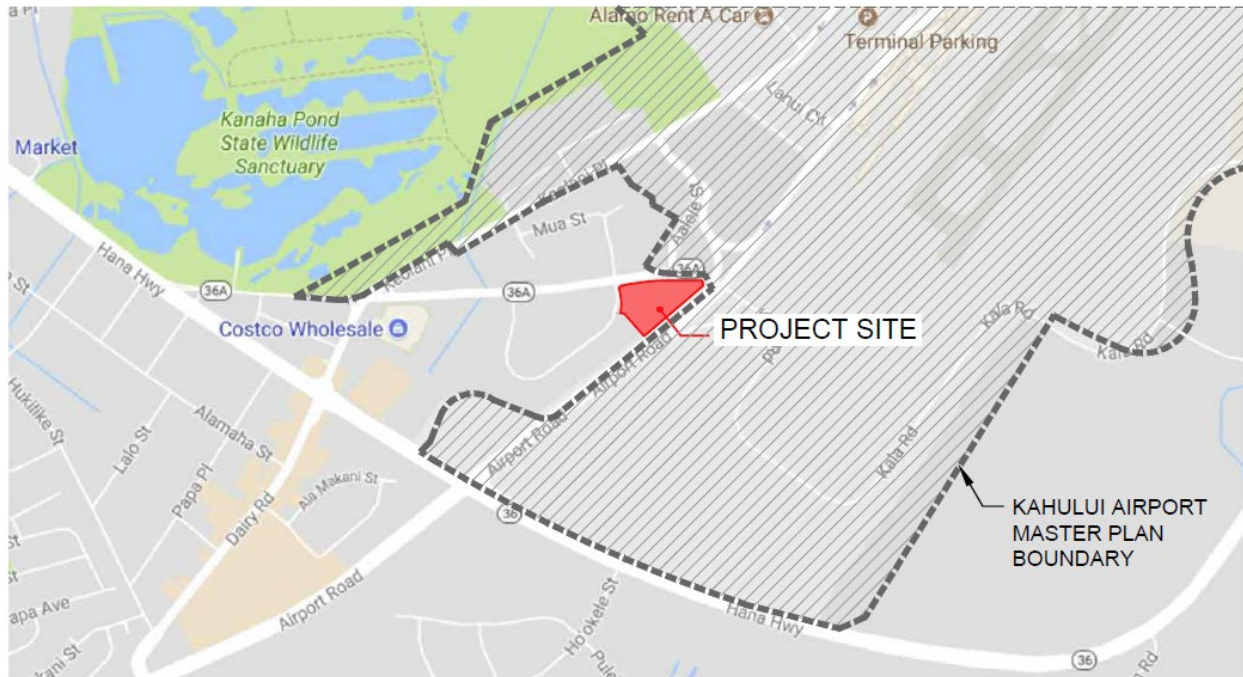


Section II

ANALYSIS OF SITE LOCATION AND  
PROPOSED PROGRAM

## ANALYSIS OF SITE LOCATION

The subject site is located at the southeast quadrant of the intersection of the Haleakala Highway (Route 36A) and Kuleana Street in Kahului. The site is currently vacant. The location map below, prepared by AXIS/GFA, illustrates adjacency to the Kahului Airport Master Plan Boundary.



The following sections present more detailed information on the site and its characteristics in terms of access and location.

### ACCESS AND VISIBILITY

Primary access to the site will be provided by automobile. The subject site is adequately served by roadways and is considered to be easily accessible by businesses and leisure demand generators in the area. The subject hotel will occupy a location at the intersection of the Haleakala Highway and Airport Road, resulting in excellent visibility from these primary vehicular thoroughfares. Airport Road is a generally a four-lane, undivided, north/south roadway which begins at its intersection with Puunene Avenue and Kuihelani Highway and continues north through Hana Highway to serve as a direct route to the Kahului Airport. Haleakala Highway is a two-lane, undivided, east/west roadway fronting Maui Business Park which provides access to various commercial uses as well as the Kahului Airport. The entrance to the subject will be from Lauo Loop, a two-lane roadway that intersects with Haleakala Highway at two locations (East and West) and services Maui Business Park.

### RELATIONSHIP TO AREA AMENITIES AND DEMAND GENERATORS

While lodging demand on Maui is predominantly leisure-driven, the subject hotel's locational attributes position it for a different, business-oriented base of customers. The primary demand generators for the proposed subject hotel will consist of the following:

- Kahului Airport, the primary airport on Maui, which served an estimated 8 million passengers in 2019, making it the second busiest airport in the State of Hawaii after Honolulu International Airport, which served 22 million passengers. In 2020, passenger volume at Kahului Airport declined by approximately 70 percent to 2.4 million passengers. The proposed subject hotel's proximity to Kahului Airport is optimal for capturing demand in the form of overnight passengers from the distant resort areas in Kihei-Wailea and West Maui who have early morning flights to catch, or those arriving late at night who prefer not to drive their final destinations until the following morning, as well as distressed airline passengers who are stranded because of delayed or cancelled flights.
- Maui County offices in the county seat of Wailuku, approximately four miles west of the subject site, generate hotel demand in the form of visitors to Maui with meetings or assignments with local government agencies. These agencies include the Office of the Mayor, County Council, Department of Public Works, the Planning Department, Department of Liquor Control and Department of Finance, among many others.
- Businesses in the surrounding Kahului/Wailuku market area which represent a wide range of industries ranging from retail and finance to healthcare and transportation generate demand for hotel rooms through visiting employees, vendors and/or consultants.

In summary, the subject site is located within the primary business and commercial district on Maui, as well as its civic center and transportation hub. Future developments indicate that business activity in the market area will intensify, as suggested by the scope of the Kahului Airport Master Plan improvements and the continued build-out of Maui Business Park with more retail and service businesses.

## **SITE CONCLUSIONS**

The site appears to be appropriate for hotel development as it is generally level, and is well-served by area roadways from which a hotel structure will be highly visible. Additionally, retail and restaurant amenities are proximate to the site and would be easily accessible to future hotel guests. Further, the site is located in the primary business and commercial district of Maui, a market that has traditionally been under-served by hotels.

## EVALUATION OF PROPOSED FACILITIES PROGRAM

Our comments concerning facility programming for the subject are based on our analysis of the competitive hotels, the demand patterns of the market, and the intended positioning of the subject within the competitive market. We are of the opinion that the construction of the proposed subject will be appropriate for the subject site. The following provides a general scope of facilities for the proposed subject.

### SCOPE OF FACILITIES

Based on the existing facilities within the competitive market and the subject's location, it is our opinion that the hotel room night demand within the market is strong enough to support the addition of a 200-room upscale select-service hotel. The existing hotel inventory in Kahului/Wailuku consists of two older, economy-tier hotels (Maui Seaside Hotel and Maui Beach Hotel) located near the intersection of West Kaahumanu Avenue and Kahului Beach Road, and a relatively new Courtyard by Marriott by Kahului Airport. To appropriately position the subject within the competitive market, the hotel's overall quality level should be at or above the competitive properties and the facilities should be typical of those offered by other business-oriented, select-service hotels such as the Courtyard by Marriott.

### PROJECT DESCRIPTION

The plans provided for our review consisted of those dated April 16, 2021 prepared by AXIS/GFA Architecture + Design. It is our understanding that the building will consist of a four-story hotel encompassing approximately 139,095 square feet of gross building area. The proposed Kanaha Hotel at Kahului Airport will consist of 120 standard guestrooms and 80 extended-stay rooms with kitchenettes for a total of 200 rooms. The subject hotel will also include dining areas, 990-square foot meeting room, 370-square foot boardroom, suite shop, business center, outdoor swimming pool/spa, guest laundry and 1,311-square foot fitness center. There will be 221 surface parking spaces provided.

The area program summary and guestroom matrix which we have reviewed are presented on the following pages:

**AREA SUMMARY**

<b>LEVEL 1</b>			REMARKS		
LOBBY AREA		2,019	INCLUDES ENTRY, LOUNGE AND CART STORAGE		
FRONT DESK		177			
DINING		2,596			
BUFFET		286			
BAR		944			
SUITE SHOP		304			
ADMIN		790			
KITCHEN / FOOD PREP		1,207			
STAFF LOUNGE		1,244	INCLUDES STAFF BATHROOMS		
LAUNDRY		1,616			
FITNESS		1,311			
GUEST LAUNDRY		278			
POOL EQUIPMENT		249			
BOARD ROOM		370			
MEETING ROOM		990			
PRE FUNCTION		1,095			
RESTROOMS		793			
BUSINESS CENTER		297			
CIRCULATION		5,846			
VERTICAL CIRCULATION		865	STAIRS, ELEVATORS AND LINEN CHUTE		
GUESTROOM UNITS		17,874			
SUPPORT AREAS		2,775	ELEC., MEP., STORAGE, ELEV. MACHINE ROOM, HOUSEKEEPING		
<b>LEVEL 1 TOTAL AREA</b>		<b>43,924</b>			
PORTE COCHERE		3,067			
<b>LEVEL 1 TOTAL *GROSS AREA</b>		<b>43,059</b>			
<b>TYPICAL GUESTROOM LEVEL (FLOORS 2-4)</b>			REMARKS		
CIRCULATION		4,898			
VERTICAL CIRCULATION		855	STAIRS, ELEVATORS AND LINEN CHUTE		
GUESTROOM UNITS		25,528			
SUPPORT AREAS		1,585	HOUSE KEEPING, LINEN, STORAGE AND ELEC./MECH		
<b>TYP. LEVEL TOTAL AREA</b>		<b>32,867</b>			
<b>LEVELS 2-4 TOTAL AREA</b>		<b>98,601</b>			
<b>LEVEL 2-4 TOTAL *GROSS AREA</b>		<b>96,036</b>			
<b>TOTAL GROSS AREA</b>		<b>139,095</b>	SF		
<b>TOTAL LOT COVERAGE</b>		<b>46,991</b>	SF		
* GROSS AREA IS THE AREA CONFINED WITHIN THE EXTERIOR WALLS, INCLUDING THE EXTERIOR WALLS, BUT EXCLUDING THE ELEVATOR, STAIR AND SHAFTS.					

Source: R.D. Olson Development, AXIS/GFA

## Room Matrix and Parking Requirement

PROJECT DESCRIPTION						
<p>Kanaha Hotel is located adjacent to the Kahului Airport in Maui, Hawaii. This is a 4-story hotel with 80 extended-stay guestrooms, each with a kitchenette (no oven), and 120 standard guestrooms, for a total of 200 rooms. The hotel features a welcoming lobby, lounge, dining, meeting rooms, business center, outdoor pool/spa, bbq area, and fitness center. Surface parking of 221 spaces is provided with easy access to the guestrooms.</p>						
PROJECT INFORMATION						
TOTAL SITE AREA:	225,470	SF (5.176 ACRES)				
COVERAGE (20.84%)	46,991	SF				
TOTAL GBA:	139,095					
FAR:	0.62					
EXTENDED STAY SUITES						
TYPES	QQ	KING	2-BEDRM.			TOTAL
LEVELS	w/Kitchenette (no oven)	w/Kitchenette (no oven)	w/Kitchenette (no oven)			KEYS
(1) LEVEL 1 (+0'-0")	3	13	1			17
(2) LEVEL 2 (+13'-0")	6	14	1			21
(3) LEVEL 3 (+23'-6")	6	14	1			21
(4) LEVEL 4 (+34'-0")	6	14	1			21
TOTAL	21	55	4			80
	26%	69%	5%			
GUEST ROOMS						
TYPES	QQ	QQ	KING	KING	KING	TOTAL
LEVELS		ADA		ADA	STUDIO	KEYS
(1) LEVEL 1 (+0'-0")	8	1	8		4	21
(2) LEVEL 2 (+13'-0")	8	1	15	1	8	33
(3) LEVEL 3 (+23'-6")	8	1	15	1	8	33
(4) LEVEL 4 (+34'-0")	8	1	15	1	8	33
TOTAL	32	4	53	3	28	120
	27%	3%	44%	3%	23%	
GRAND TOTAL						200
PARKING					REQ'D	PROVIDED
HOTEL	1 space for every rental unit				200	
TOTAL					200	*221

\* TOTAL PARKING COUNT INCLUDES 8 ACCESSIBLE PARKING SPACES AND 2 ACCESSIBLE VAN SPACES.

Source: R.D. Olson Development, AXIS/GFA

### **Facility Conclusions**

The aforementioned facilities and amenities are believed to be appropriate to optimize the market position and performance of the proposed Kanaha Hotel at Kahului Airport. Our market projections for the proposed subject assume the aforementioned facilities and amenities.

The following pages present renderings of the proposed hotel, as well as site plans and photographs of the subject site in its current condition.



## Proposed Kanaha Hotel at Kahului Airport Kahului, Hawaii



Perspective Rendering View from Lauo Loop



Concept Design View of Main Entrance



## Proposed Kanaha Hotel at Kahului Airport Kahului, Hawaii



3D View of Ground Monument Sign at Site Entrance



Concept Design View of Main Entrance



## Site Plan



CONCEPT LANDSCAPE PLAN - OPT 1

04/16/2021

JOB NO.: 1710

SHEET NO.: 26

# KANAHĀ HOTEL AT KAHULUI AIRPORT KAHULUI, MAUI, HAWAII



## Subject Site Photographs



View from Lauo Loop with Airport Road in Background



View from Lauo Loop with Haleakala Highway in Background

## Section III

### AREA REVIEW



## AREA OVERVIEW

### OVERVIEW

The economic climate of the market area encompassing the subject property is an important consideration in valuing the subject.

### STATE OF HAWAII

#### Overview

The State of Hawaii represents the southernmost point of the United States. It is located just south of the Tropic of Cancer, approximately 2,500 miles southwest of Los Angeles and 3,900 miles southeast of Tokyo, Japan. The Hawaiian Islands are the summits of a volcanic mountain range which extends over 1,500 miles across the Pacific Ocean. The archipelago includes over 100 islands and encompasses approximately 6,450 square miles. The eight major islands that comprise the State of Hawaii, which became the 50th state in 1959, consist of Oahu, Maui, Kauai, Hawaii (the Big Island), Lanai, Molokai, Niihau, and Kahoolawe. Hawaii's diverse natural scenery, warm tropical climate, abundance of public beaches and oceanic surroundings, and active volcanoes make it a popular destination for tourists, surfers, biologists, and volcanologists alike. Due to its mid-Pacific location, Hawaii has many North American and Asian influences along with its own vibrant native culture. Hawaii has over a million permanent residents along with many visitors and U.S. military personnel. Its capital is Honolulu on the island of Oahu. The four major islands for tourism are Oahu, Maui, Kauai, and Hawaii.

#### Economy

Tourism remains one of Hawaii's leading employers, revenue producers, and growth sectors. However, agricultural diversification (including the cultivation of flowers and nursery products, papaya, and macadamia nuts), aquaculture, manganese nodule mining, and film and television production have broadened the State's economic base. Presented in the following table are the actual and forecast key economic indicators for Hawaii from 2019 to 2024. As can be noted, Hawaii's population levels are projected to stay stable, at approximately 1.4 million residents. As a reflection of COVID-related impacts on travel and tourism, visitor arrivals through 2024 and projected to remain below pre-pandemic levels 2019 levels, and expenditures are likewise projected to also be diminished relative to 2019. The table on the following page presents the forecasted growth for the state's economy over the four-year period from 2021 to 2024, as measured by key economic indicators.



ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2019 TO 2024

Economic Indicators	2019	2020 <sup>1</sup>	2021	2022	2023	2024
	Actual		Forecast			
Total population (thousands)	1,416	1,407	1,406	1,408	1,411	1,414
Visitor arrivals (thousands) <sup>2</sup>	10,387	2,716	5,510	8,282	9,210	9,837
Visitor days (thousands) <sup>2</sup>	90,361	28,702	52,372	72,840	80,772	86,645
Visitor expenditures (million dollars) <sup>2</sup>	17,844	5,111	9,757	14,501	16,349	18,163
Honolulu CPI-U (1982-84=100)	281.6	286.0	291.6	297.5	303.8	309.9
Personal income (million dollars)	80,727	86,773	84,270	85,777	88,405	91,330
Real personal income (millions of 2012\$) <sup>3</sup>	61,855	66,224	63,399	63,510	64,263	65,172
Non-agricultural wage & salary jobs (thousands)	655.7	572.7	608.5	627.5	637.5	645.7
Civilian unemployment rate	2.7	12.0	8.2	6.9	6.2	5.7
Gross domestic product (million dollars)	95,744	89,850	94,118	99,352	103,521	107,315
Real gross domestic product (millions of 2012\$)	82,471	75,967	77,994	80,589	82,442	83,926
Gross domestic product deflator (2012=100)	116.1	118.2	120.7	123.0	125.2	127.3
Annual Percentage Change						
Total population	-0.3	-0.6	-0.1	0.1	0.2	0.2
Visitor arrivals	5.2	-73.9	102.9	50.3	11.2	6.8
Visitor days	4.9	-68.2	82.5	39.1	10.9	7.3
Visitor expenditures	5.1	-71.4	90.9	48.6	12.7	11.1
Honolulu CPI-U	1.9	1.6	2.0	2.0	2.1	2.0
Personal income	3.6	7.5	-2.9	1.8	3.1	3.3
Real personal income	1.8	7.1	-4.3	0.2	1.2	1.4
Non-agricultural wage & salary jobs	0.5	-12.7	6.2	3.1	1.6	1.3
Civilian unemployment rate <sup>4</sup>	0.1	9.3	-3.8	-1.3	-0.7	-0.5
Gross domestic product	2.5	-6.2	4.8	5.6	4.2	3.7
Real gross domestic product	0.3	-7.9	2.7	3.3	2.3	1.8
Gross domestic product deflator (2012=100)	2.3	1.9	2.0	1.9	1.8	1.7

1/ Some of the indicators are preliminary or estimated such as visitor expenditures, personal income, and gross domestic product.

2/ Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures.

3/ Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.

4/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, February 25, 2021.

Based on the most recent developments in the national and global economies, the performance of Hawaii's tourism industry, the labor market conditions, and growth of personal income and tax revenues, the timeline for recovery of Hawaii's economy from the impact of COVID-19 will likely

extend beyond 2023. The following is taken from the Hawaii State Department of Business, Economic Development and Tourism Forecast as of Q1 2021.

“Hawaii’s economy has been greatly impacted by the COVID-19 pandemic. During the April-December 2020 period, the average unemployment rate (not seasonally adjusted) was 15.1 percent. Hawaii lost 110,600 non-agriculture payroll jobs during the April-December period as compared with the same period a year ago. All industry sectors lost jobs except for federal government jobs. The accommodation and food services & drinking places accounted for 52.6 percent of the total job loss at 58,200. Overall, statewide non-agriculture payroll jobs decreased by 16.9 percent in the April-December 2020 period.

Hawaii’s unemployment rate increased from 2.6 percent in the first quarter of 2020 to 20.3 percent in the second quarter of 2020, decreased to 13.9 percent in the third quarter of 2020, and then decreased further to 11.2 percent in the fourth quarter of 2020.

Visitor arrivals to the State during the fourth quarter of 2020 totaled 496,186, a decrease of 80.2 percent from the same quarter in 2019. However, due to the longer average length of stay, the average daily visitor census decreased only 70.7 percent in the fourth quarter of 2020.

The value of private building permits showed a decrease of 7.7 percent or \$65.4 million during the fourth quarter of 2020. The largest decrease occurred in the commercial & industrial category which was down by \$55.6 million or 37.1 percent. The value of residential building permits was down by 0.9 percent, and the value for additions & alterations category declined by 1.8 percent during the same period. In the fourth quarter of 2020, the state government spending on capital investment projects (CIP) increased by 100.2 percent or \$298.2 million, and government contracts awarded in the fourth quarter of 2020 increased \$746.4 million over the fourth quarter of 2019.

At the national level, the U.S. economic growth rate was at 0.3 percent during the first quarter, fell to a negative 9.0 percent in the second quarter, improved to negative 2.8 percent in the third quarter, and improved further to negative 2.5 percent in the fourth quarter as compared to the same quarter in 2019. The Blue Chip Economic Indicators report from February 12, 2021, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2021 will increase by 4.9 percent. The report projected a positive 3.8 percent U.S. economic growth for 2022. The Blue Chip forecasts for foreign countries were all positive in 2021. Based on the above developments, DBEDT projects that Hawaii’s economic growth rate, as measured by the real gross domestic product (GDP), will increase by 2.7 percent in 2021, then will increase by 3.3 percent in 2022, 2.3 percent in 2023, and 1.8 percent in 2024.

Hawaii will welcome 5.5 million visitors in 2021, an increase of 102.9 percent from the 2020 level. Visitor arrivals will increase to 8.3 million in 2022, 9.2 million in 2023, and 9.8 million in 2024. Visitor spending will increase 90.9 percent in 2021, then will increase 48.6 percent in 2022, 12.7 percent in 2023, and 11.1 percent in 2024.

Non-agriculture payroll jobs will increase 6.2 percent in 2021, then will increase by 3.1 percent in 2022, 1.6 percent in 2023, and 1.3 percent in 2024.

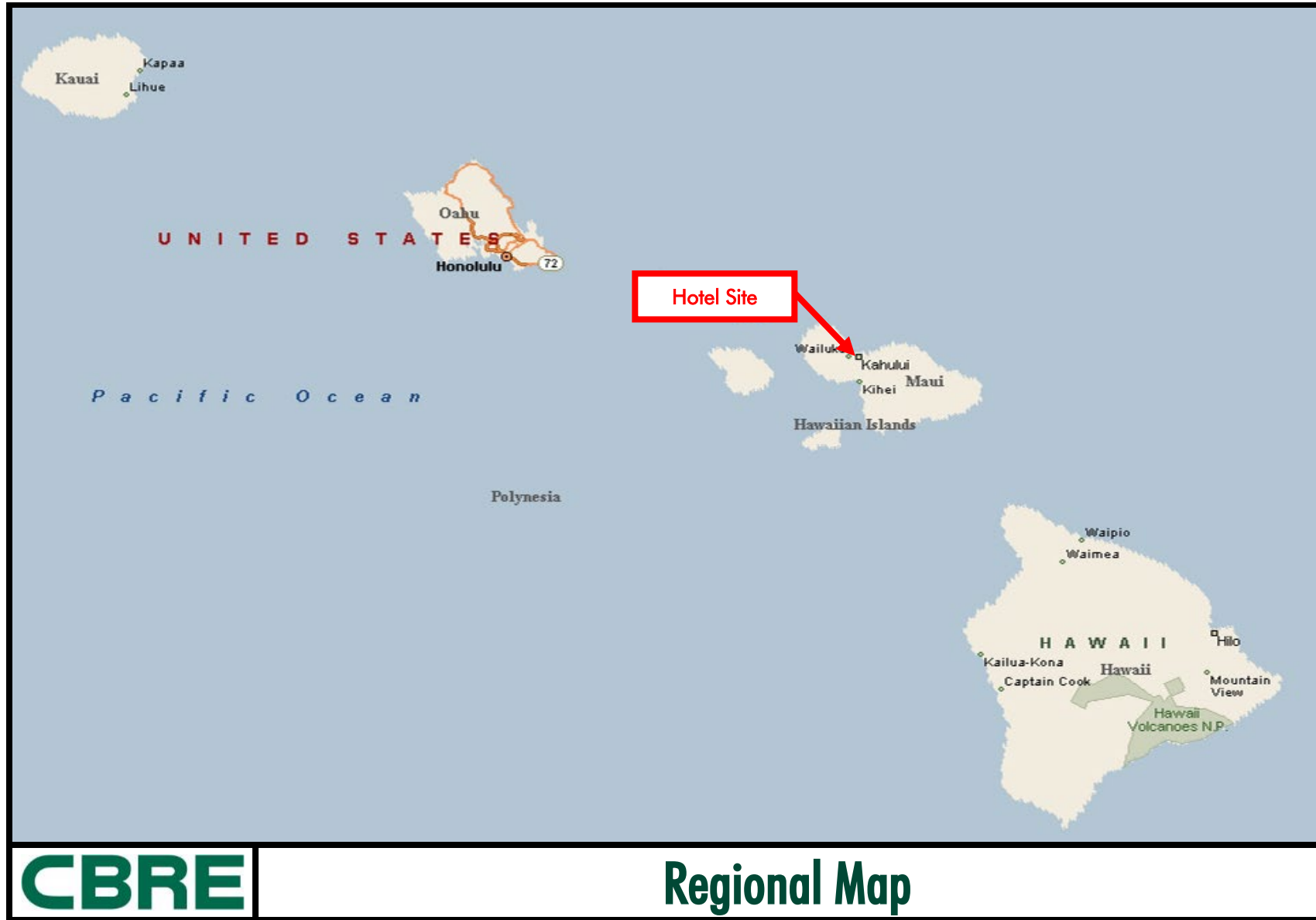


Overall for 2021, the average annual unemployment rate is forecast to be 8.2 percent, then decrease to 6.9 percent in 2022, 6.2 percent in 2023, and 5.7 percent in 2024. These rates are much higher than Hawaii's average unemployment rate of 2.5 percent from 2017 to 2019.

Nominal personal income is expected to decrease by 2.9 percent in 2021, then increase 1.8 percent in 2022, increase 3.1 percent in 2023, and increase 3.3 percent in 2024.

Hawaii's consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, will increase at about 2.0 percent per year for the next few years.

Hawaii's population is expected to decrease 0.1 percent in 2021, and increase by 0.1 percent in 2022, and 0.2 percent in 2023 and 2024."



## ISLAND OF MAUI/COUNTY OF MAUI

### Overview

Maui, also known as the “Valley Isle”, is the second largest island in the Hawaiian archipelago after the Big Island. Measuring 728 square miles in size, Maui was home to approximately 166,200 full-time residents and host to approximately 2.9 million visitors in 2018. In 2018, Maui was again ranked among the top of Conde Nast Traveler’s list of “Best Islands in the U.S.”, a status it has held for 26 consecutive years. More than 70 percent of visitors to Maui are categorized as repeat visitors, a reflection of Maui’s enduring and multi-faceted appeal.

Wailuku, the historical hub of island commerce, is the seat of government for Maui County, which includes the islands of Maui, Molokai, Lanai, and Kahoolawe. Adjacent to Wailuku is Kahului, wherein the largest concentration of commercial and industrial development on the island is located, the site of the primary transshipment facilities at Kahului Harbor and Kahului Airport.

### Population

Maui County had a population of approximately 167,500 in 2019. The population of Maui has increased at a compound annual growth rate (CAGR) of 1.8 percent since 1980, approximately twice the population growth rate for the State of Hawaii during the same period.

Maui County and State of Hawaii Historical Population						
	1980 <sup>1)</sup>	1990 <sup>1)</sup>	2000 <sup>1)</sup>	2010 <sup>1)</sup>	2016 <sup>1)</sup>	2020
Maui County	71,600	101,709	129,078	155,214	165,474	144,444
State of Hawaii	968,500	1,113,491	1,213,519	1,363,621	1,428,557	1,407,006
						<b>1.8%</b>
						<b>0.9%</b>

Source: State of Hawaii DBEDT

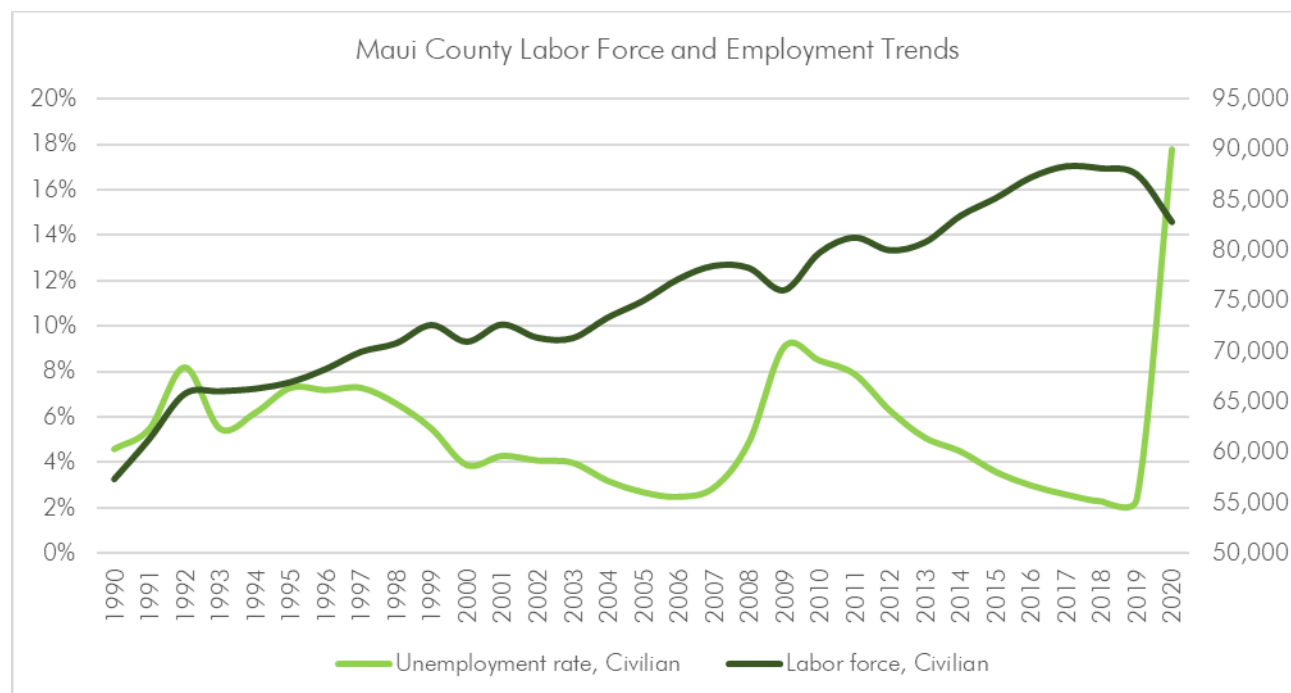
<sup>1)</sup> July estimates, Source: U.S. Census Bureau

### Employment

Maui’s employment is comprised primarily of jobs in the retail trade, accommodation, eating and drinking, and government sectors, which collectively comprise more than 40 percent of total jobs in the county. The civilian labor force has increased at the compound average annual rate of 1.2 percent between 1990 and 2020. The 2020 unemployment rate of 17.8 percent marked the severity of COVID-19 impacts on the local economy when compared to the long term (1990 to 2019) average of 5.1 percent.

At its apex, the countywide unemployment rate exceeded 30 percent during Q2 2020, and the Q1 2021 rate of 12.8 percent indicates that a recovery is beginning to take shape.

The chart on the following page illustrates the trends in labor force and unemployment rates which demonstrate the long-term growth trajectory of Maui’s economy.



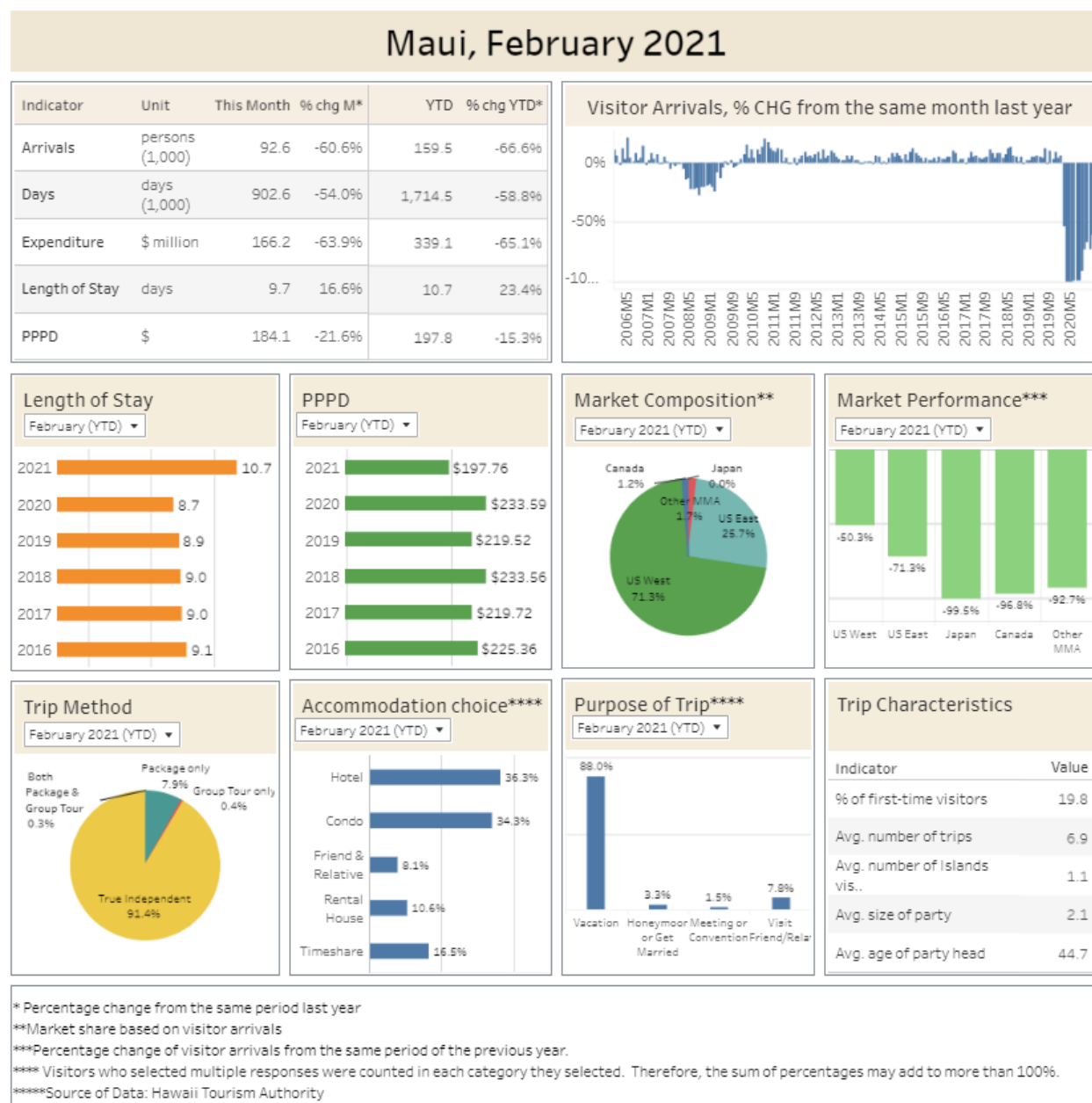
Source: Hawaii State Department of Labor & Industrial Relations

## Tourism and Visitor Industry

The tourism industry drives the Hawaiian economy, accounting for more than a quarter of Hawaii's gross state product. According to the Hawaii Tourism Authority (HTA), Hawaii's tourism industry achieved new records in total visitor spending and visitor arrivals in 2019, marking the seventh consecutive year of record growth in both categories. Total spending by visitors to the Hawaiian Islands increased 11.8 percent to a new high of \$17.7 billion. A total of 10.4 million visitors came by air or by cruise ships to the state, up 5.0 percent from the prior 2018 record. Total visitor days rose 2.4 percent compared to 2018, and the average spending per day by these visitors increased by 1.4 percent compared to 2018. Maui's tourism industry likewise achieved new records in terms of visitor spending and arrivals in 2019 due to the unprecedented expansion of the economic cycle following Global Financial Crisis of 2009. Visitor arrivals of 3.1 million increased by 5.0 percent over 2018 and expenditures increased by 2.7 percent to \$5.3 billion. Compared to the long-term 1.6 percent average annual growth in visitors over the last 20 years, the 5.0 percent visitor growth rate in 2019 is unlikely to be sustainable. Due to the travel disruptions caused by the COVID-19 pandemic, the robust growth trend was reversed in 2020, and visitation in the foreseeable future will decline.

As stated in the March 5th, 2021 report by The Economic Research Organization at the University of Hawaii, "Hawaii is struggling to emerge from the severe COVID-19 downturn, but the recovery is poised to accelerate. Falling virus counts and vaccination progress set the stage for a strengthening visitor industry recovery as the year progresses, as well as growth in the broader local economy. Business failures and economic damage to lower-income households will continue to be burdens, and full recovery to pre-pandemic employment remains several years down the road. Exceptional uncertainty continues to surround our forecasts for Hawaii." The table on the following page presents statistics which show the dramatic decline in visitation to Maui. As of year-to-date February 2021, visitor arrivals have declined by 66.6 percent, although the length of stay has

increased by 23.4 percent. Approximately one third visitors to Maui indicated the intention to stay at a hotel. The second preference was to stay at a condo, represented by approximately 34 percent of all visitors to Maui.



Source: Hawaii DBEDT

## Visitor Trends

The table on the following page presents historical trends in visitor arrivals, days and expenditures for the State of Hawaii and the island of Maui as compiled by the Hawaii Department of Business, Economic Development & Tourism (DBEDT). The DBEDT's forecast for visitor arrivals, days and expenditures are also presented, and a forecast for Maui has been prepared by CBRE Hotels utilizing Maui's historical ratios for visitor days and visitor expenditures as projected for the State to

illustrate the potential size of the visitor market in the next three years. Additionally, we have presented the forecast for visitor arrivals to Maui as shown on The Economic Research Organization at the University of Hawaii's March 2021 report. The statistics indicate that since 2010, growth in visitor days and expenditures for Maui have exceeded the Statewide average, while arrivals are slightly below average. The trend indicates that Maui visitors are staying longer than average and their daily spending is also increasing faster than average, underscoring robust demand growth.

DBEDT Quarterly Tourism Forecasts (Q3 2020) – Visitors by Air Only												
Visitor Arrivals (Persons)					Visitor Days				Expenditures (\$M)			
Year	State	% Chg.	Maui*	% Chg.	State	% Chg.	Maui*	% Chg.	State	% Chg.	Maui*	% Chg.
2000	6,948,594	NA	2,246,253	NA	61,721,151	NA	15,305,826	NA				
2001	6,303,790	-9.3%	2,048,767	-8.8%	57,760,242	-6.4%	14,134,191	-7.7%	\$8,885	NA		
2002	6,389,058	1.4%	2,073,052	1.2%	60,068,620	4.0%	14,871,480	5.2%	\$9,421	6.0%		
2003	6,380,439	-0.1%	2,125,421	2.5%	58,782,699	-2.1%	15,589,014	4.8%	\$9,844	4.5%		
2004	6,912,094	8.3%	2,155,561	1.4%	62,761,989	6.8%	16,109,009	3.3%	\$10,648	8.2%	\$2,801	NA
2005	7,416,574	7.3%	2,294,697	6.5%	67,687,479	7.8%	17,126,932	6.3%	\$11,650	9.4%	\$3,155	12.6%
2006	7,528,105	1.5%	2,446,590	6.6%	69,145,854	2.2%	18,001,414	5.1%	\$12,243	5.1%	\$3,368	6.8%
2007	7,496,820	-0.4%	2,463,594	0.7%	69,135,310	0.0%	18,014,608	0.1%	\$12,578	2.7%	\$3,409	1.2%
2008	6,713,436	-10.4%	2,075,801	-15.7%	63,130,133	-8.7%	16,262,552	-9.7%	\$11,182	-11.1%	\$2,860	-16.1%
2009	6,420,448	-4.4%	1,892,396	-8.8%	60,255,061	-4.6%	15,186,964	-6.6%	\$9,794	-12.4%	\$2,484	-13.2%
2010	6,916,894	7.7%	2,080,403	9.9%	64,951,433	7.8%	16,765,377	10.4%	\$10,967	12.0%	\$2,808	13.0%
2011	7,174,397	3.7%	2,168,487	4.2%	67,825,871	4.4%	17,540,084	4.6%	\$12,047	9.9%	\$3,046	8.5%
2012	7,867,143	9.7%	2,309,194	6.5%	73,663,903	8.6%	18,657,258	6.4%	\$14,193	17.8%	\$3,461	13.6%
2013	8,003,474	1.7%	2,358,784	2.1%	74,049,772	0.5%	19,271,412	3.3%	\$14,352	1.1%	\$3,668	6.0%
2014	8,196,342	2.4%	2,417,418	2.5%	75,269,197	1.6%	19,932,486	3.4%	\$14,809	3.2%	\$4,011	9.3%
2015	8,563,018	4.5%	2,540,162	5.1%	78,086,081	3.7%	20,798,172	4.3%	\$14,939	0.9%	\$4,109	2.5%
2016	8,821,802	3.0%	2,634,237	3.7%	79,669,135	2.0%	21,447,140	3.1%	\$15,753	5.5%	\$4,523	10.1%
2017	9,277,613	5.2%	2,757,776	4.7%	83,608,118	4.9%	22,155,560	3.3%	\$16,622	5.5%	\$4,701	3.9%
2018	9,761,448	5.2%	2,914,912	5.7%	87,724,599	4.9%	23,532,680	6.2%	\$17,464	5.1%	\$5,002	6.4%
2019	10,243,165	4.9%	3,059,905	5.0%	89,692,422	2.2%	24,222,598	2.9%	\$17,658	1.1%	\$5,128	2.5%
2020	2,720,000	-73.8%	791,660	-74.1%	28,700,000	-68.2%	7,536,388	-68.9%	\$5,110	-71.4%	\$1,370	-73.3%
2021F*	5,510,000	102.9%	1,647,444	108.1%	52,370,000	82.5%	13,593,224	80.4%	\$9,760	90.9%	\$2,617	91.0%
2022F*	8,280,000	50.3%	2,525,532	53.3%	72,840,000	39.1%	18,906,443	39.1%	\$14,500	48.6%	\$3,888	48.6%
2023F*	9,210,000	11.2%	2,773,035	9.8%	80,770,000	10.9%	20,964,764	10.9%	\$16,350	12.7%	\$4,384	12.8%

Sources: Hawaii DBEDT, HTA, UHERO, CBRE Hotels

\* Projections for the island of Maui from 2021 to 2023 for visitor days and expenditures have been derived by applying Maui's historical ratios to the levels projected for the State by DBEDT. Maui visitor arrival growth rates from 2020 to 2023 are from UHERO.

As seen in the preceding table, visitor arrivals and visitor days on Maui are projected to be significantly impacted by COVID-19: 2023 visitor arrivals are projected to remain below 2018 arrivals and 2023 visitor days are projected to be fewer than 2016 visitor days. A corresponding trend is observed for visitor expenditures, which are projected to remain below 2016 nominal amounts by 2023.

## Purpose of Visit

An analysis of trends in visitation prior to the onset of the COVID-19 pandemic indicates robust growth in total visitors since 2008, and the rate of growth has accelerated over the last five years: between

2008 and 2019, total visitors to Maui increased at the compounded average annual rate of 3.6 percent, and in the last five years between 2014 and 2019 prior to COVID disruptions, the compounded average annual rate of growth increased to 4.8 percent.

As shown in the table below, the ratio of visitors citing pleasure and visiting friends/relatives as their primary purpose of visit has increased since 2008 while the proportion of those citing group-oriented meetings, conventions and incentive travel have declined. The business/other category consists of those citing business, government/military, school, sports events and other purposes of travel have averaged approximately 5.8 percent of total visitors to Maui between 2015 to 2019. It is noted that prior to 2015, the ratio was lower because statistics on those traveling to Maui for “other” reasons were not tracked.

On average, the business/other segment represents more than 160,000 visitors annually between 2015 and 2019. 160,000 business/other visitors would be sufficient to fill more than 430 hotel rooms daily. However, the statistics show that not all visitors intend to stay at a hotel; only 54 percent of visitors to Maui in 2019 planned to stay at hotels. Assuming that the 54 percent ratio is applicable to business/other visitor lodging preferences, there would be sufficient demand to fill 236 hotel rooms at capacity daily. This measure of demand for hotel rooms is likely understated as it does not include any travelers visiting friends and relatives, some of whom may also choose to stay at hotels. Additionally, hotels will not operate at full capacity (100 percent occupancy) because of operational requirements (check-in/check-out, maintenance, etc.) and seasonality. As an example, the average annual occupancy for the Maui hotel market between 2008 and 2019 was 72 percent. Assuming a 72 percent occupancy rate, the business/other visitors who intend to stay at hotels would sustain 1.6 200-room hotels.

An upscale select-service hotel such as the subject property therefore represents an important amenity for servicing the business/other segment. Specifically, the target market for the proposed Kanaha Hotel at Kahului Airport is intended to consist of business travelers, members of the military/government, airline crew members, healthcare providers, and those traveling for school and educational-related purposes. The following table presents the profile of visitors to Maui based on cited purpose of trip. We note that the totals will not add up to 100 percent as visitors can select more than a single reason for their trip when surveyed.

Maui County Visitors - Purpose of Trip									
Year	Total Visitors	Pleasure	% of Total	Meetings/ Conventions/ Incentive	% of Total	Visit Friends/ Relatives	% of Total	Business/ Other	% of Total
2008	2,075,801	1,822,780	88%	133,813	6.4%	132,096	6.4%	88,054	4.2%
2009	1,892,396	1,687,816	89%	105,349	5.6%	123,800	6.5%	70,924	3.7%
2010	2,080,403	1,857,077	89%	110,288	5.3%	123,553	5.9%	79,019	3.8%
2011	2,168,487	1,942,303	90%	120,674	5.6%	121,017	5.6%	72,194	3.3%
2012	2,309,194	2,074,535	90%	124,826	5.4%	127,985	5.5%	74,785	3.2%
2013	2,358,784	2,122,756	90%	122,792	5.2%	130,283	5.5%	75,341	3.2%
2014	2,417,418	2,178,847	90%	130,119	5.4%	133,495	5.5%	93,263	3.9%
2015	2,540,162	2,276,169	90%	148,109	5.8%	138,787	5.5%	162,125	6.4%
2016	2,634,237	2,369,053	90%	135,411	5.1%	138,271	5.2%	157,147	6.0%
2017	2,744,994	2,479,980	90%	130,650	4.8%	142,759	5.2%	157,103	5.7%
2018	2,914,912	2,640,378	91%	135,593	4.7%	152,240	5.2%	164,996	5.7%
2019	3,059,905	2,774,474	91%	131,053	4.3%	162,008	5.3%	161,858	5.3%
2008-'19 CAGR	3.6%	3.9%		-0.2%		1.9%		5.7%	
2015-'19 CAGR	4.8%	5.1%		-3.0%		3.9%		0.0%	

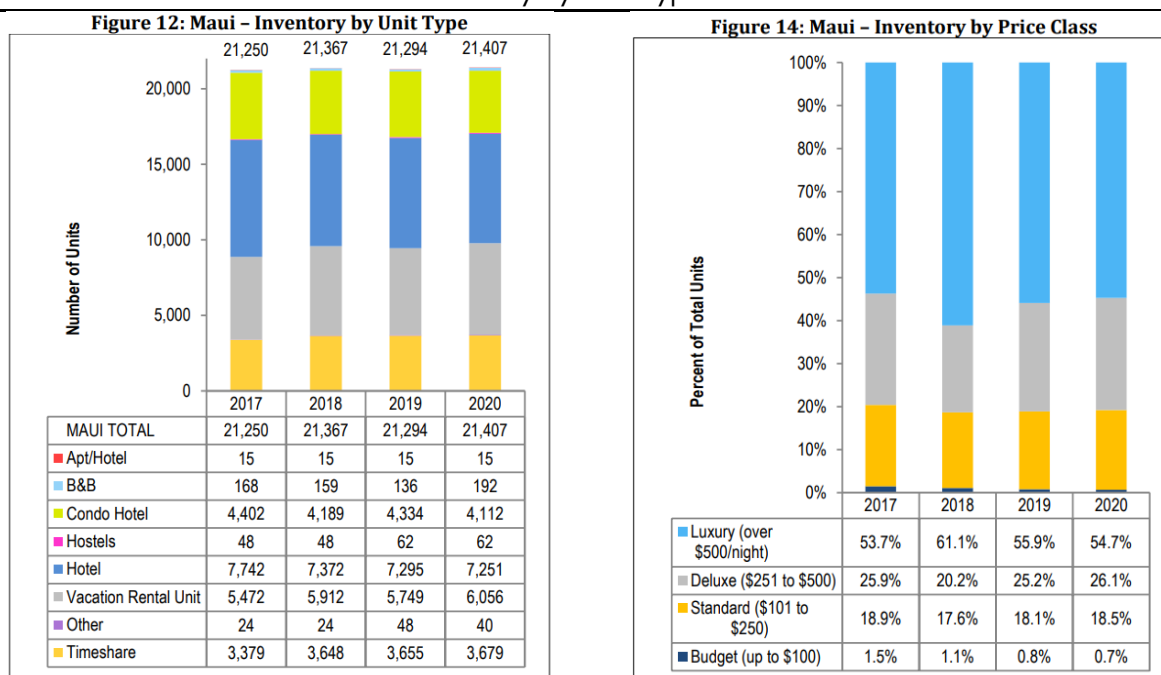
Source: Hawaii DBEDT, HTA

## Hotel Supply

The HTA's 2020 Visitor Plan Inventory (VPI) report indicates that there are 21,407 lodging units on Maui. Hotel rooms accounted for roughly one-third of these lodging units, with the majority located in the resort destinations of Wailea-Kihei and Lahaina-Ka'anapali-Napili-Kapalua. Lodging supply on Maui skews towards the luxury end of the scale, with approximately 55 percent of units priced at \$500 or more per night. When lodging units in the deluxe range are added, the statistics reveal that more than 80 percent of lodging inventory on Maui is priced at \$250 or more per night.

The combination of locational and pricing factors underscores the need for a high-quality hotel in the Kahului/Wailuku area at a moderate price level which would serve the needs of the surrounding community. The 2020 VPI report also shows that there are only 598 lodging units in the Kahului/Wailuku market, representing less than 3 percent of islandwide lodging inventory. Given that Kahului/Wailuku is the civic and commercial hub of Maui, and also the island's transportation gateway, we conclude that the market is currently underserved in terms of hotel facilities.

2020 Visitor Plant Inventory by Unit Type and Price Class – Maui



Source: HTA

The number of visitors to Maui have increased at the compounded average annual rate (CAGR) of 4.8 percent between 2015 and 2019 while the number of hotel rooms have declined at the rate of -2.7 percent CAGR over the same period. Based on these statistics, it is apparent that the increase in visitors do not correlate to hotel room supply. Instead, incremental visitors are likely to stay at non-hotel properties such as vacation rentals and timeshares, both of which have supply growth rates that parallel the increased volume of visitors. A moratorium on new hotels would therefore not result in a reduction in the volume of visitors.



Change in Maui Visitors vs. Change in Accommodation Supply										
Year	Visitors	% Chg.	Total Inventory	% Chg.	Hotel Rooms	% Chg.	Vacation Rentals	% Chg.	Timeshare	% Chg.
2015	2,540,162	NA	20,972	NA	8,142	NA	4,773	NA	3,227	NA
2016	2,634,237	3.7%	21,465	2.4%	8,245	1.3%	5,469	14.6%	3,160	-2.1%
2017	2,744,994	4.2%	21,250	-1.0%	7,742	-6.1%	5,472	0.1%	3,379	6.9%
2018	2,914,912	6.2%	21,367	0.6%	7,372	-4.8%	5,912	8.0%	3,648	8.0%
2019	3,059,905	5.0%	21,294	-0.3%	7,295	-1.0%	5,749	-2.8%	3,655	0.2%
2015-'19 CAGR	4.8%		0.4%		-2.7%		4.8%		3.2%	

Source: HTA

The total supply of visitor accommodation units on Maui has increased at the rate of only 0.4 percent CAGR between 2015 to 2019, which is a fraction of the 4.8 percent visitor growth rate. The disparity between accommodation supply and visitor trends strongly suggests the availability of alternative lodgings that are not readily apparent and/or legally registered. The findings of a recent Hawaii Tourism Authority study<sup>2</sup> support this conclusion: “Visitor research continues to suggest that demand segments that stay in home and vacation rentals have relatively little overlap with traditional hotel/resort guests.” According to the study, “30% of respondents reported that if there was not a home and vacation rental option during their recent stay in Hawaii, they would not have made the trip.” The study further states that, “...much of the incremental demand is being accommodated in home and vacation rentals” and estimates that between 30 to 74 percent of visitors that booked their stay in a home or vacation rental consists of induced demand.

The HTA study reveals that many visitors would not have visited Hawaii if short term rentals were not available. Therefore, enforcing short term rental regulations on Maui – including having a STRH permit, maintaining a 500-foot distance from neighboring homes, and requiring that the property be at least 5 years old prior to application for a permit – would be effective in controlling visitor volume. The example of Bill 89, which went into effect on Oahu in August 2019, reduced short term rentals by -37% within two weeks of the law coming into effect. In San Francisco, when short term rental restrictions went into effect, the availability of units decreased by approximately -45% within two days.

We have analyzed the magnitude of induced visitors to Maui due to the growth in vacation rental units. The analysis assumes 3 visitors per vacation rental unit at an overall 79 percent annual occupancy level. These benchmarks are drawn from the HTA, which reports 3.3 visitors per vacation rental unit and an annualized unit occupancy level of 79 percent in 2019. In summary, the number of vacation rental units on Maui have increased from 4,773 in 2015 to 5,749 in 2019. If 30 percent of vacation rental users were induced to visit Maui due to the availability of these alternative lodging accommodations, an average of 63,322 visitors per year would have been added to the Maui visitor count, assuming a baseline 79 percent occupancy level, similar to that achieved in 2019 on Maui. In an alternative scenario, if 74 percent of vacation rental users were induced due to the availability of these units on Maui, an average of 156,193 additional visitors per year would have been added to the visitor count. We conclude that the proliferation of vacation rental units has been instrumental to the surge in Maui visitors, at the average annual rate of nearly 110,000 induced visitors between 2015 and 2019.

<sup>2</sup> Hawaii's Home and Vacation Rental Market: Impact and Outlook, April 2020, prepared by JLL Hotels & Hospitality

Annual Induced Visitor Volume from Maui Vacation Rental Units						
Year	VRUs	Ann. Inc. in VRUs	Avg. Party Size	30% Induced Demand @ 79% Ann. Occupancy	74% Induced Demand @ 79% Ann. Occupancy	Midpoint Induced Visitor Volume
2015	4,773	NA	NA	NA	NA	NA
2016	5,469	696	3.0	180,622	445,535	313,079
2017	5,472	3	3.0	779	1,920	1,349
2018	5,912	440	3.0	114,187	281,660	197,923
2019	5,749	-163	3.0	-42,301	-104,342	-73,322
Ann. Avg. VRU Induced Visitors 2015 - 2019				63,322	156,193	109,758

Sources: HTA, CBRE Hotels Advisory

2020 Visitor Plant Inventory by Area – Maui						
ISLAND	AREA	TYPE	2020 UNITS	2019 UNITS	CHANGE FROM 2019	
MAUI	Hāna Area	Apartment/ Hotel	0	0	0	
		Bed & Breakfast	3	2	1	
		Condominium Hotel	17	17	0	
		Hostel	0	0	0	
		Hotel	75	71	4	
		Vacation Rental Unit	7	17	-10	
		Timeshare	0	0	0	
		Other	4	4	0	
		<b>Total</b>	<b>106</b>	<b>111</b>	<b>-5</b>	
	Kahului/Wailuku	Apartment/ Hotel	15	15	0	
		Bed & Breakfast	27	22	5	
		Condominium Hotel	0	0	0	
		Hostel	44	44	0	
		Hotel	487	487	0	
		Vacation Rental Unit	25	26	-1	
	Kula/Makawao	Timeshare	0	0	0	
		Other	0	0	0	
		<b>Total</b>	<b>598</b>	<b>594</b>	<b>4</b>	
	Lahaina/Kāʻanapali/ Nāpili/Kapāhula	Apartment/ Hotel	0	0	0	
		Bed & Breakfast	67	43	24	
		Condominium Hotel	0	0	0	
		Hostel	0	0	0	
		Hotel	14	14	0	
		Vacation Rental Unit	8	21	-13	
	Māʻalaea	Timeshare	0	0	0	
		Other	24	24	0	
		<b>Total</b>	<b>113</b>	<b>102</b>	<b>11</b>	
	Māʻalaea	Apartment/ Hotel	0	0	0	
		Bed & Breakfast	25	25	0	
		Condominium Hotel	2,865	2,790	75	
		Hostel	18	18	0	
		Hotel	3,564	3,612	-48	
		Vacation Rental Unit	2,254	2,349	-95	
	Māʻalaea	Timeshare	3,147	3,115	32	
		Other	12	20	-8	
		<b>Total</b>	<b>11,885</b>	<b>11,929</b>	<b>-44</b>	
	Māʻalaea	Apartment/ Hotel	0	0	0	
		Bed & Breakfast	5	5	0	
		Condominium Hotel	0	0	0	
		Hostel	0	0	0	
		Hotel	0	0	0	
		Vacation Rental Unit	327	235	92	
	Māʻalaea	Timeshare	0	0	0	
		Other	0	0	0	
		<b>Total</b>	<b>332</b>	<b>240</b>	<b>92</b>	

Source: HTA

### Additions to Supply

The following table presents details on the planned additions and new developments for Maui's lodging supply, as compiled by the County of Maui Department of Planning and reported in the 2020 VPI report. The reported projects are only current as of the end of 2020, and projects that may have been abandoned or indefinitely delayed are not reflected below.

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Planned Additions and New Developments – Maui
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Name of Facility	Planned Type	Total Units in Project	Estimated Completion	Notes
Maui Palms Expansion	Hotel	136	2020	SMA permit issued. Permit transferred to new owner in 2014. Also known as the Maui Pagoda. Received two year time extension request to complete construction.
Maui Lu Timeshare	Timeshare	388	2021	Amended SMA to delete lock off units. SMA permit transferred in 2014. Demolition complete. Under construction.
Kamaole Grand	Condo	217	N/A	SMA permit approved. Construction pending. Received two year time extension request to initiate construction.
Kamaole Heights	Hotel/Condo	24	N/A	Project in review.
Kula Lodge	Hotel	15	N/A	Kula Lodge is for sale and is not pursuing permitting at this time.
Westin Kā'anapali Ocean Resort III	Timeshare	390	N/A	Construction is completed. Available for occupancy.
Kapalua Project District 2-Kapalua Mauka	Mixed Use	690	N/A	Project District permits Issued. Project Pending.
South Maui Gardens	Mixed Use	9	N/A	Council Approved Change in Zoning. Applicant withdrew SMA and CP component. Therefore no construction is proposed currently.
Plantation Inn	H-M Hotel	14	2022	Redevelopment of existing Plantation Inn. Includes demolition of existing structure and the construction of a two-story guest building with 14 new rooms. Construction is not completed. Compliance Report approval issued in 2017 to complete construction by 2022.
Villas at Royal Lahaina	Condo/Hotel	128	N/A	SMA permit issued. Construction pending. Floor plans range from 2 to 4 bedroom units.
Maui Research and Technology Park	Mixed Use Hotel	150-Hotel units	N/A	County Council approved Maui Research and Technology Park which allows hotel rooms. Hotel project submitted includes 280 guest rooms in 3 buildings
Down Town Kihei	Mixed Use Hotel	150	2026	CIZ & SMA approved. Construction pending. Anticipated start of construction by 2024. Estimated Completion date is 2026, 2 years after initiation of construction.
Wada Commercial Building & Hotel	Mixed Use Hotel	8	N/A	SM1 2013/0003 and CTB 2016/0004 approved. On June 29, 2020, the Applicant requested for a one year time extension
Makena Resort M-5, M-6, S-7, B-2	Mixed Use	40	2024	SMA approved. Construction pending. Only 10, 2-story TVR transient vacation rental buildings consisting of 4 visitor units each for a combined total of 40 visitor bedrooms on 47.15 acres. (SM1 2015/0012). Estimated Completion date to 2030.

Of the projects described on the preceding page, the following was previously believed to pose some degree of future competition for the subject property due to its location in Kahului which will be proximate to the subject site.

- **Maui Palms Expansion** – This project will be adjacent to the Maui Beach Hotel and will consist of 136 rooms. According to the developer, the Maui Palms Expansion project will not be oriented toward airport travelers, but will instead cater to local visitors and leisure-oriented tourists with its oceanfront location. The most recent news indicates that due to the economic stresses resulting from COVID-19, this project has been indefinitely delayed.

In addition to the proposed Maui Palms Expansion, we have updated our research on two other proposed projects which were considered potentially competitive in the 2019 report. These projects consist of a proposed 150-room select-service hotel within Kahului Shopping Center and a proposed 150-room select service hotel in downtown Wailuku.

- **Proposed Kahului Shopping Center Hotel** – This project has been proposed for a site of approximately 2.5 acres within Kahului Shopping Center pursuant to a request for qualifications issued by Alexander & Baldwin in 2018. The project site is located at the intersection of Pu'unene and Kamehameha Avenues. Based on our market research, it was believed that the proposed hotel would be positioned in the mid-priced category offering select-service amenities and will be approximately 150 rooms. Our updated research indicates that this project has been abandoned.
- **Proposed Wailuku Hotel** – This project has been proposed for a site assemblage on the blocks between North Market Street and Central Avenue fronting Main Street in Wailuku, and is rumored to be a 150-room Hilton Garden Inn property. Hilton Garden Inn is a brand of mid-priced, focused service hotels operating in more than 700 locations worldwide. The brand is owned by Hilton Worldwide and there are currently two existing locations in Hawaii; one in Waikiki and the other on Kauai. Our fieldwork reveals that this project is now indefinitely delayed due to the lack of available capital.

## Hotel Market Performance

Over the last decade (excluding 2020), hotel occupancy on Maui levels ranged from a low of 68 percent in 2008 to a high of 78 percent in 2019. Metrics for average daily rate ("ADR"), room revenue per available room ("RevPAR") and total room revenues (supply of hotel rooms X occupancy X ADR) likewise all indicate strong growth. Since 2008, marketwide ADR, RevPAR and room revenues have increased at the compounded average annual rate of 3.6 percent, 4.9 percent and 5.2 percent, respectively. In the last five years between 2015 and 2019, the compounded average annual growth rates are stronger, at 6.0 percent, 7.2 percent and 4.3 percent, respectively. The statistics for 2020 demonstrate the unprecedented impact of COVID-19, with a year-end decrease in occupancy to 34 percent and a 55 percent decline in RevPAR. The detailed metrics are presented in the table on the following page.

Maui Hotel Market Occupancy, ADR and Room Revenues									
Year	# Properties	Hotel Rooms	Occupancy	ADR	% Change	RevPAR	% Change	Room Revenues (\$M)	% Change
2008	26	7,033	68%	\$271	3.8%	\$184	-6.6%	\$473	-12.0%
2009	28	7,130	59%	\$238	-12.5%	\$140	-24.1%	\$364	-23.0%
2010	26	7,129	68%	\$226	-4.8%	\$154	10.1%	\$401	10.1%
2011	24	7,039	70%	\$247	9.2%	\$173	12.5%	\$445	11.1%
2012	26	7,172	72%	\$261	5.9%	\$189	9.2%	\$496	11.3%
2013	26	7,038	72%	\$290	10.9%	\$208	9.8%	\$534	7.8%
2014	32	7,482	73%	\$296	2.0%	\$215	3.2%	\$586	9.7%
2015	31	8,142	74%	\$318	7.3%	\$236	10.0%	\$701	19.7%
2016	35	8,245	76%	\$333	4.7%	\$252	6.8%	\$759	8.2%
2017	34	7,742	77%	\$354	6.4%	\$272	8.0%	\$769	1.4%
2018	31	7,372	76%	\$386	9.2%	\$293	7.6%	\$789	2.5%
2019	30	7,295	78%	\$401	3.9%	\$312	6.3%	\$830	5.2%
2020	29	7,251	34%	\$414	3.3%	\$140	-54.9%	\$372	-55.2%
YTD 3/2020		7,295	68%	\$466		\$315		\$839	
YTD 3/2021		7,251	34%	\$457	-1.9%	\$157	-50.3%	\$415	-50.6%
2008 –'19 CAGR				3.6%		4.9%		5.2%	
2015 –'19 CAGR				6.0%		7.2%		4.3%	

Sources: HTA, Hawaii DBEDT

## Kahului Airport

Kahului Airport (OGG) opened in 1952 and is classified as a medium-hub primary commercial service facility by the Federal Aviation Administration. The airport provides scheduled flights through seven airlines – Air Canada, Alaska, American, Delta, Hawaiian, Mokulele, United and WestJet – to destinations within Hawaii as well as to Los Angeles, San Francisco, San Jose, Oakland, San Diego, Seattle, Portland, Salt Lake City, Phoenix, Dallas and Vancouver. The airport is currently in the midst of an expansion, and the master plan was updated in 2016. The most current version of the master plan proposes alternative development scenarios up to 2035 for upgrading and improving the airfield and terminal facilities and services for airport customers. As part of the master plan, a new car rental facility is currently under construction and will help to consolidate rental car facilities closer to the terminal.

As shown on the following page, passenger volume at Kahului Airport increased at the rate of 3.1 percent CAGR between 2008 and 2019. Passenger traffic at Kahului Airport declined sharply in 2008 and 2009 due to the combined impacts of the global financial crisis and the cessation of operations by both Aloha Airlines and ATA Airlines, and did not recover for several years. Since the 2019 peak of 7.2 million passengers (U.S. flights only), volume was sharply down by 70.5 percent in 2020 due to the severity of travel disruptions stemming from COVID-19.

Kahului Airport Passenger Statistics (U.S. Flights Only)		
Year	Passenger Volume (thousands)	Percent Change
2008	5,148	NA
2009	4,887	-5.1%
2010	4,986	2.0%
2011	5,091	2.1%
2012	5,421	6.5%
2013	5,605	3.4%
2014	5,735	2.3%
2015	6,100	6.4%
2016	6,331	3.8%
2017	6,515	2.9%
2018	6,785	4.1%
2019	7,216	6.4%
2020	2,128	-70.5%

Source: Bureau of Transportation Statistics

### Maui Business Park

Maui Business Park is a 125-acre industrial-zoned development in central Kahului near the Kahului Airport and Harbor. Construction of infrastructure at the business park is complete and sales are underway for fee simple lots ranging from 0.5 to 5 acres. The zoning of the park allows for a variety of uses including retail, office, hotel, light manufacturing, distribution and warehousing.

At present, the Maui Business Park hosts national and regional retailers including Target, Walmart, Home Depot, Costco, Lowe's, Office Max, and Pier Imports. This critical mass of retail amenities draws shoppers and economic activity into the immediate area. In addition to retail, Maui Business Park is also the site of the new \$25 million Maui County Service Center which will house the county's Property Tax and Motor Vehicle divisions, as well as the Finance Department. Approximately 200 workers are expected to be employed at this new facility, which opened in 2020.

The subject's location within Maui Business Park would position it to capture visitors associated with the growing commercial base as there is only one other hotel in the area, the Courtyard by Marriott Kahului Airport.

### Maui Memorial Medical Center

The Maui Memorial Medical Center is the only acute care medical facility on Maui. Located approximately 4 miles from the subject site, this 219-bed hospital provides a wide array of medical specialties including cardiology, oncology, neurology, orthopedic surgery and vascular surgery. Maui Memorial Medical Center is a source of hotel demand from off-island medical professionals as well as family members of patients.

### War Memorial Stadium

Located in Wailuku, approximately 4.5 miles from the subject site, the War Memorial Stadium is home to the Hula Bowl college football game and offers seating capacity for 23,000 spectators. Additional facilities at the sports complex include a gymnasium, outdoor competition pool and athletic fields. The War Memorial Stadium generates hotel demand in the form of competition teams and their visiting fans.

### **Maui Arts & Cultural Center**

The Maui Arts & Cultural Center (MAAC), located approximately 3.5 miles from the subject site, features curated programming that spans cultural heritage to contemporary genres, and an exhibition venue known as the Schaefer International Gallery. Positioned as a world-class center for concerts as well as the visual and performance arts, the MAAC generates hotel demand during events which draw off-island attendees, performers, production crews and students of its varied educational programs.





## Section IV

# MARKET ANALYSIS

## HOTEL MARKET ANALYSIS OF THE COMPETITIVE HOTEL SUPPLY

The future performance of a hotel is directly related to the supply of and demand for hotel rooms within the subject's market area. Accordingly, an analysis of the local area's hotel market is a key component of the subject hotel. The subject is expected to compete to varying degrees with hotels within the Kahului/Wailuku area, although at present, there is only one other existing hotel which is truly competitive, and that is the Courtyard by Marriott Kahului Airport. The following is a discussion of the proposed subject's competitive hotel market.


### MARKET ANALYSIS

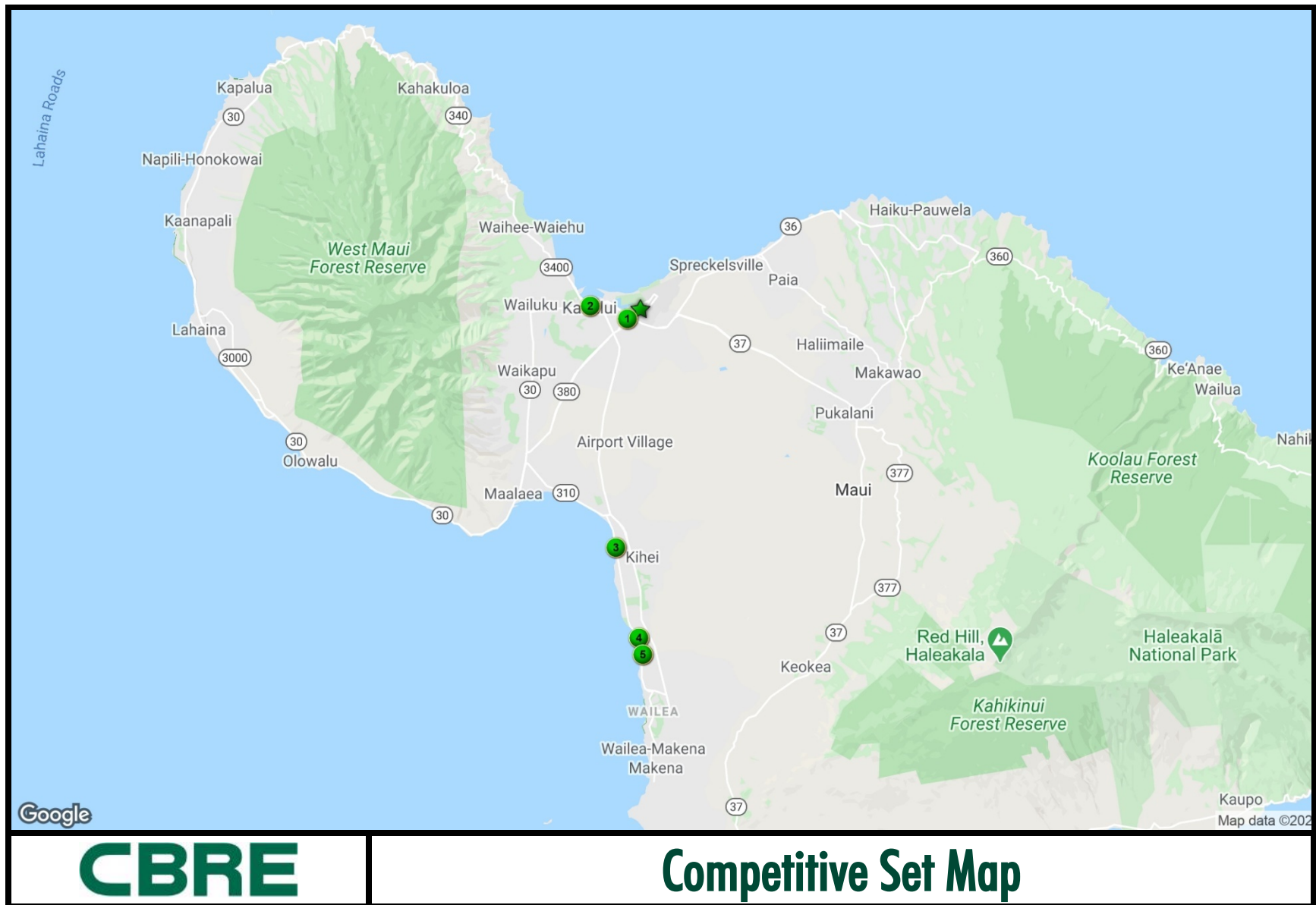
#### Competitive Supply

In order to identify the competitive market for the proposed subject property, we have analyzed the local area, and have selected five properties that we believe will offer competition to the subject hotel. The hotels that are considered competitive have been selected based on their market orientation, facilities and rate structure. It should be noted that the competitive market includes three properties – Kohea Kai Maui, Maui Coast Hotel and Aston Maui Banyan – in Kihei, which is not considered the primary market area for the proposed subject. However, due to the lack of sufficient properties participating in the Smith Travel Research data survey within Kahului/Wailuku, we have extended the boundaries beyond the primary location to capture historical performance indicators for area hotels. There are various lodging facilities located in the area which were excluded in our analysis due to rate, facilities, and or market orientation.

As of March 2021, the subject's primary competitive market is comprised of 713 rooms (not including the proposed subject hotel). While the competitive set does not include all hotels in the local market area, the properties chosen are those that will offer relatively comparable rates to the subject hotel. The exception to the average daily rate criteria for inclusion within the competitive set is the Maui Beach Hotel, which is an economy-rated property. We have nevertheless included this property within the competitive set because it is located in the same market as the proposed subject, and the demand accommodated within this hotel represents a relatively small subsection of the potential demand for the proposed subject. The need to expand the boundaries of the competitive market to the Kihei submarket demonstrates the current absence of upscale hotels in Kahului/Wailuku.

The following chart presents the competitive supply for the proposed subject hotel. A map indicating their locations and a table summarizing their key attributes follow.

Proposed Kanaha Hotel at Kahului Airport Maui Competitive Supply		
Map Code	Primary Competition	Number of Rooms
	<i>Proposed Kanaha Hotel at Kahului Airport</i>	<i>200</i>
1	Courtyard by Marriott Kahului Airport	138
2	Maui Beach Hotel	147
3	Kohea Kai Maui, Ascend Hotel Collection	26
4	Maui Coast Hotel	265
5	Aston Maui Banyan	137
Competitive Market Total*		713
*Total Excludes the Proposed Subject Hotel		
Source: CBRE Hotels		



## COMPETITIVE SUPPLY

					
<b>Property</b>	<b>Courtyard by Marriott Kahului</b>	<b>Maui Beach Hotel</b>	<b>Kohea Kai, Ascend Collection</b>	<b>Maui Coast Hotel</b>	<b>Aston Maui Banyan</b>
Address	532 Keolani Place Kahului, HI 96732	170 W Kaahumanu Avenue Kahului, HI 9673	551 S Kihei Road Kihei, HI 96753	2259 S Kihei Road Kihei, HI 9675	2575 S Kihei Road Kihei, HI 9675
Number of Rooms	138	147	26	265	137
Year Open	2012	1968	1965	1991	1990
STR Classification	Upscale	Upper Midscale	Upscale	Upper Upscale	Upscale
ADR Positioning*					
Weekday (5/4 – 5/5)	\$329	\$219	\$280	\$345	\$289
Weekend (5/7 – 5/8)	\$329	\$219	\$280	\$345	\$299
Memorial Day (5/30 – 5/31)	\$399	\$219	\$140	\$345	\$239
July 4 (7/3 – 7/4)	\$399	\$237	\$280	\$345	\$209
Daily Resort Fee	NA	NA	\$25	\$25	\$20
F&B Outlets	The Bistro (breakfast/dinner)	Rainbow Terrace (breakfast/dinner) Lokelani Lounge	Complimentary breakfast dining area	'Ami 'Ami Bar & Grill (breakfast/dinner) Kamaole Poolside Cafe Room service	NA
Meeting Space	± 1,500 square feet	± 6,700 square feet	NA	± 980 square feet	NA
Other Amenities	Sundry/convenience store, 24- hour fitness center, outdoor swimming pool, airport shuttle	Rooftop pool & sundeck, fitness center, coin-operated laundry, airport and neighborhood shuttle	Complimentary hot breakfast, outdoor swimming pool, complimentary use of beach chairs, umbrellas and coolers, units with kitchens	Gift shop, outdoor swimming pools, guest laundry facilities, activities desk, car rental desk, concierge, fitness center, business services, tennis court, bicycles, neighborhood shuttle	Outdoor swimming pool, tennis court, activities desk, units with kitchens and washer/dryer
International Brand	Yes (Marriott)	No	Yes (Choice)	No	No

\* ADR Positioning reflects lowest internet rate for dates queried

^ Minimum 2-night stay required



## Additions to Supply

There are no anticipated additions to supply contemplated in this analysis.

## HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- **Demonstrated Demand**: the demand already captured at competitive hotels.
- **Induced Demand**: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- **Unsatisfied Demand**: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or excessively high room rates.

## Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily room rate, and RevPAR (revenue per available room) for the competitive supply from 2015 to March 2021 is presented in the following table.

PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT HISTORICAL PERFORMANCE OF THE COMPETITIVE MARKET									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2015	264,382	0.1%	216,939	1.6%	82.1%	\$168.91	7.9%	\$138.60	9.5%
2016	264,931	0.2%	221,180	2.0%	83.5%	\$178.84	5.9%	\$149.30	7.7%
2017	264,990	0.0%	217,346	-1.7%	82.0%	\$195.80	9.5%	\$160.60	7.6%
2018	264,990	0.0%	217,631	0.1%	82.1%	\$213.04	8.8%	\$174.97	8.9%
2019	263,404	-0.6%	208,778	-4.1%	79.3%	\$230.53	8.2%	\$182.72	4.4%
2020	260,245	-1.2%	114,261	-45.3%	43.9%	\$214.37	-7.0%	\$94.12	-48.5%
<b>CAGR</b>	<b>-0.3%</b>	<b>-</b>	<b>-12.0%</b>	<b>-</b>		<b>4.9%</b>	<b>-</b>	<b>-7.4%</b>	<b>-</b>
YTD 3/2020	65,061	-	48,488	-	74.5%	\$283.16	-	\$211.03	-
YTD 3/2021	65,061	0.0%	36,402	-24.9%	55.9%	\$220.02	-22.3%	\$123.10	-41.7%

Source: CBRE Hotels Advisory

As noted in the preceding table, the supply within the competitive set has declined slightly throughout the historical period. As a result of the COVID-19 pandemic, demand within the competitive set has declined 45.3 percent in 2020 compared to the same period in 2019, and RevPAR declined by 48.5 percent in 2021. For the first three months of 2021, RevPAR was 41.7 percent lower than the same period in 2020, driven down equally by declines in ADR and occupied rooms.

The following table summarizes the competitive market's accommodated demand profile in 2019. 2020 results were not applied because the impact of COVID-19 has rendered those statistics an outlier. While the competitive market is comprised of various segments of demand, including a limited amount of commercial- and government-related demand, the majority of demand is

comprised of leisure-related demand that travels from the mainland and other international destinations.

<b>COMPETITIVE MARKET 2019 DEMAND</b>		
Market Segment	Room Nights	Ratio
Leisure	187,900	90%
Business/Other	20,900	10%
Total	208,800	100%
<b>Source: CBRE Hotels Advisory</b>		

As noted in the table above, accommodated demand levels totaled 208,800 room nights in 2019.

### Projected Demand Growth

Demand growth within the market has been projected based on overall growth rates for visitation to Maui published by UHERO as of March 2021. Using historical demand growth as a base, and taking into account the current demonstrated and future projected economic conditions, we have estimated future growth in overall market demand as outlined on the following page. The projections indicate that by 2029, the competitive market will attain occupancy in the 73 percent range, which is slightly lower than historical trends, but is deemed to be reasonably conservative given the disruptive impact of the COVID-19 pandemic which will curtail visitation to Maui and the state of Hawaii. The projected future growth in supply and demand is presented in the table on the following page.

In summary, accommodated demand within the market is projected to increase from roundly 114,300 room nights in 2020 to 249,900 room nights in 2030 representing an increase of 5.5 percent on a compounded average annual basis. The demand projections assume the capture of 11,000 room nights of unsatisfied leisure demand and 49,000 room nights of unsatisfied business/other demand within the competitive set between 2025 and 2026 with the entry of the subject hotel. Rooms supply within the market is projected to increase from 260,245 room nights in 2020 to 333,245 room nights in 2030, an increase of 2.8 percent on a compounded average annual basis.

PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT											
Competitive Market											
Estimated Future Growth in Lodging Supply and Demand											
2020 - 2030											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>ROOMS SUPPLY</b>	722										
<b>Additions/(Deletions) to Supply</b>											
Proposed Kanaha Hotel at Kahului Airp.						151	49				
STR Set	(9)										
Cumulative Rooms Supply	713	713	713	713	713	864	913	913	913	913	913
Total Annual Rooms Supply	260,245	260,245	260,245	260,245	260,245	315,245	333,245	333,245	333,245	333,245	333,245
Growth Over the Prior Year	-1.2%	0.0%	0.0%	0.0%	0.0%	21.1%	5.7%	0.0%	0.0%	0.0%	0.0%
<b>DEMONSTRATED DEMAND IN BASE YR</b>											
Leisure	102,800	90%									
Business/Other	11,400	10%									
TOTAL DEMONSTRATED DEMAND	114,200	100%									
<b>INDUCED/(UNSATISFIED) DEMAND</b>											
Leisure	0	0	0	0	0	8,000	3,000	0	0	0	0
Business/Other	0	0	0	0	0	25,000	24,000	0	0	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND	0	0	0	0	0	33,000	27,000	0	0	0	0
<b>GROWTH RATES</b>											
Leisure		35.0%	12.0%	9.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Business/Other		35.0%	12.0%	9.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>PROJECTED DEMAND</b>											
Leisure											
Demonstrated	102,800	138,780	155,434	169,423	171,117	172,828	182,636	187,493	189,368	191,261	193,174
Induced/(Unsatisfied)	0	0	0	0	0	8,000	(464)	(5,003)	(6,878)	(8,772)	(10,684)
Total	102,800	138,800	155,400	169,400	171,100	180,800	182,200	182,500	182,500	182,500	182,500
Growth Over Prior Year	N/A	35.0%	12.0%	9.0%	1.0%	5.7%	0.8%	0.2%	0.0%	0.0%	0.0%
Business/Other											
Demonstrated	11,400	15,390	17,237	18,788	18,976	19,166	44,607	69,293	69,986	70,686	71,393
Induced/(Unsatisfied)	0	0	0	0	0	25,000	23,154	(1,849)	(2,542)	(3,242)	(3,949)
Total	11,400	15,400	17,200	18,800	19,000	44,200	67,800	67,400	67,400	67,400	67,400
Growth Over Prior Year	N/A	35.1%	11.7%	9.3%	1.1%	132.6%	53.4%	-0.6%	0.0%	0.0%	0.0%
Total Market Demand	114,200	154,200	172,600	188,200	190,100	225,000	250,000	249,900	249,900	249,900	249,900
Growth Over Prior Year	N/A	35.0%	11.9%	9.0%	1.0%	18.4%	11.1%	0.0%	0.0%	0.0%	0.0%
<b>Market Occupancy</b>	<b>44%</b>	<b>59%</b>	<b>66%</b>	<b>72%</b>	<b>73%</b>	<b>71%</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>
Source: CBRE Hotels Advisory											



## PROJECTED MARKET PERFORMANCE OF THE SUBJECT HOTEL

### Penetration Analysis

An analytical tool, referred to as a penetration rate or fair share index, measures the relative share of rooms demand of a hotel. If the hotel is achieving its “fair market share,” the percent of demand that it is capturing is equal to the hotel’s percentage share of room supply – this would be expressed as a penetration rate of 100 percent. A property with competitive advantages would be expected to penetrate its market at a rate in excess of 100 percent, whereas a hotel with competitive disadvantages would be expected to achieve penetration levels lower than 100 percent.

Estimated occupancy levels for the subject have been projected on the basis of a market penetration analysis. Our analysis of the competitive hotels and how these hotels compare to the anticipated quality level of the subject support this method. Market penetration is defined as the actual capture of room demand in relation to the hotel’s fair share of demand. Market penetration levels in excess of 100 percent of fair share suggest a hotel has competitive advantages, while competitive weaknesses or positioning strategies are reflected in market penetration levels of less than 100 percent of fair market share.

The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject, taking into consideration such factors as exclusivity, location, room rate structure, quality and extent of amenities offered, affiliation, quality of management, and marketing efforts and image (guest perception);
- The characteristics and composition of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation requirements of certain market segments; and,
- Management decisions concerning target markets.

Based on our analysis, the subject’s stabilized market presentation is presented below.

<b>PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT STABILIZED MARKET PENETRATION</b>			
Market Segment	Room Nights	Ratio	Penetration
Leisure	15,200	25%	38%
Business/Other	46,500	75%	315%
Total	61,700	100%	113%
Source: CBRE Hotels			

### Overall Market Penetration

We have assumed that the subject hotel will open in April 2025 at an overall penetration level of 95 percent, which equates to an occupancy of 68 percent for nine months of operation in 2025. We estimate that the subject hotel will be able to attain a stabilized occupancy of 85 percent, which equates to a penetration rate of 113 percent in 2027. As a result of the dynamic nature of the

Kahului/Wailuku hotel market, the subject's penetration range during the projection period is forecasted to range from 95 percent to 113 percent in the years after opening, between 2025 and 2027. The following table details the subject's projected market penetration and the resulting occupancies.

<b>PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT</b>						
<b>Market Penetration and Projected Occupancy</b>						
	2025	2026	2027	2028	2029	2030
TOTAL ROOMS AVAILABLE						
<b>Proposed Kanaha Hotel at Kahului Airpo</b>	<b>55,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>
Competitive Market	315,245	333,245	333,245	333,245	333,245	333,245
	=====	=====	=====	=====	=====	=====
Fair Share of Supply	17.4%	21.9%	21.9%	21.9%	21.9%	21.9%
	=====	=====	=====	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND						
Leisure	180,800	182,200	182,500	182,500	182,500	182,500
Business/Other	44,200	67,800	67,400	67,400	67,400	67,400
	-----	-----	-----	-----	-----	-----
TOTAL	225,000	250,000	249,900	249,900	249,900	249,900
	-----	-----	-----	-----	-----	-----
FAIR SHARE OF DEMAND						
Leisure	31,500	39,900	40,000	40,000	40,000	40,000
Business/Other	7,700	14,900	14,800	14,800	14,800	14,800
	-----	-----	-----	-----	-----	-----
TOTAL	39,200	54,800	54,800	54,800	54,800	54,800
	-----	-----	-----	-----	-----	-----
SUBJECT PENETRATION						
Leisure	45%	38%	38%	38%	38%	38%
Business/Other	300%	305%	315%	315%	315%	315%
	-----	-----	-----	-----	-----	-----
ROOM NIGHTS CAPTURED						
Leisure	14,200	15,200	15,200	15,200	15,200	15,200
Business/Other	23,100	45,300	46,500	46,500	46,500	46,500
	-----	-----	-----	-----	-----	-----
TOTAL CAPTURED DEMAND	37,300	60,500	61,700	61,700	61,700	61,700
	=====	=====	=====	=====	=====	=====
MARKET SHARE CAPTURED	16.6%	24.2%	24.7%	24.7%	24.7%	24.7%
<b>OVERALL MARKET PENETRATION</b>	<b>95%</b>	<b>110%</b>	<b>113%</b>	<b>113%</b>	<b>113%</b>	<b>113%</b>
	-----	-----	-----	-----	-----	-----
<b>SUBJECT OCCUPANCY</b>	<b>68%</b>	<b>83%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>
	-----	-----	-----	-----	-----	-----
MARKET MIX						
Leisure	38%	25%	25%	25%	25%	25%
Business/Other	62%	75%	75%	75%	75%	75%
	-----	-----	-----	-----	-----	-----
TOTAL	100%	100%	100%	100%	100%	100%
	=====	=====	=====	=====	=====	=====
Source: <b>CBRE Hotels Advisory</b>						

## AVERAGE DAILY RATE

### Competitive Market

Presented in the following table is the historical growth in the market's average daily room rates (ADR) for the period 2015 through March 2021.

HISTORICAL CHANGE IN AVERAGE DAILY RATE		
Year	Market w/o Subject	
	ADR	Change
2015	\$168.91	7.9%
2016	\$178.84	5.9%
2017	\$195.80	9.5%
2018	\$213.04	8.8%
2019	\$230.53	8.2%
2020	\$214.37	-7.0%
YTD 3/20	\$283.16	-
YTD 3/21	\$220.02	-22.3%
CAGR 2015-2050	4.9%	

Source: CBRE Hotels Advisory

The competitive market's average daily rate has increased at a compound average annual rate (CAGR) of 4.9 percent for the historical period between 2015 and 2020. The impact of COVID-19 is evidenced in the declines of 7.0 percent and 22.3 percent, respectively, for 2020 and year-to-date March 2021. As previously mentioned, ADR growth within the competitive set has exceeded the increases achieved by the overall Maui hotel market and reflect the willingness of travelers to pay for quality accommodations, as well as the significant discount to more expensive and distant resort options. Based on the average rates achieved historically and our propriety market data, we have estimated future growth in average daily rate.

Average rate growth is anticipated to be marginal in 2021 due to the impact of the pandemic. Beginning in 2022 and each year thereafter, we estimate the market will experience average rate increases in the 3.0 to 6.0 percent range. The ADR for the competitive market is expected to increase at a compound average annual rate of 3.8 percent between 2021 and 2030, which is generally consistent with the long-term rate of 3.6 percent for the broader Maui hotel market over the last decade, and is considered reasonable given the impact of COVID on hotel performance nationally and globally during 2020 and thus far in 2021.

PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2020	260,245	-1.2%	114,261	-45.3%	44%	\$214.37	-7.0%	\$94.12	-48.5%
2021	260,245	0.0%	154,200	35.0%	59%	\$214.00	-0.2%	\$126.80	34.7%
2022	260,245	0.0%	172,600	11.9%	66%	\$223.00	4.2%	\$147.90	16.6%
2023	260,245	0.0%	188,200	9.0%	72%	\$236.00	5.8%	\$170.67	15.4%
2024	260,245	0.0%	190,100	1.0%	73%	\$248.00	5.1%	\$181.16	6.1%
2025	315,245	21.1%	225,000	18.4%	71%	\$258.00	4.0%	\$184.14	1.6%
2026	333,245	5.7%	250,000	11.1%	75%	\$266.00	3.1%	\$199.55	8.4%
2027	333,245	0.0%	249,900	0.0%	75%	\$274.00	3.0%	\$205.47	3.0%
2028	333,245	0.0%	249,900	0.0%	75%	\$282.00	2.9%	\$211.47	2.9%
2029	333,245	0.0%	249,900	0.0%	75%	\$290.00	2.8%	\$217.47	2.8%
2030	333,245	0.0%	249,900	0.0%	75%	\$299.00	3.1%	\$224.22	3.1%
CAGR	2.8%	-	5.5%	-	-	3.8%		6.5%	

Source: CBRE Hotels Advisory

## Average Daily Rate and Yield for the Subject

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based primarily on the historical average daily rates achieved by the market and information concerning the other hotel properties in the competitive supply. Considerations were also given to the comparison of the other competitive properties with the subject in terms of quality of facility and location.

We have estimated that the subject will achieve an average daily rate of roundly \$295 in 2025, reflecting introductory discounts that new hotels typically will offer to capture market share. We estimate a rate increase of approximately 8.6 percent in the following year, while ADR growth for the remaining projection years are forecasted to be in the 3.0 percent range. This equates to a stabilized average daily room rate of \$255 stated in 2021 dollars, positioning the subject hotel's average daily rate slightly above the market average but below the Courtyard by Marriott Kahului Airport, its closest comparable. We find this estimate to be reasonable given the location and anticipated positioning of the proposed Kanaha Hotel at Kahului Airport. The following table outlines our estimates of occupancy, ADR and RevPAR, beginning with its assumed opening in April 2025. It should be noted that figures are rounded to the nearest dollar amounts and are in stated calendar year dollars.

PROPOSED KANAHA HOTEL AT KAHULUI AIRPORT PROJECTED PERFORMANCE OF THE SUBJECT										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	ADR	Percent Change	RevPAR	Percent Change
2025	55,000		37,300		68%	95%	\$280.00		\$189.89	
2026	73,000	32.7%	60,500	62.2%	83%	110%	\$304.00	8.6%	\$251.95	32.7%
2027	73,000	0.0%	61,700	2.0%	85%	113%	\$313.00	3.0%	\$264.55	5.0%
2028	73,000	0.0%	61,700	0.0%	85%	113%	\$322.00	2.9%	\$272.16	2.9%
2029	73,000	0.0%	61,700	0.0%	85%	113%	\$332.00	3.1%	\$280.61	3.1%
2030	73,000	0.0%	61,700	0.0%	85%	113%	\$342.00	3.0%	\$289.06	3.0%
<b>CAGR</b>	<b>5.8%</b>	<b>-</b>	<b>10.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.1%</b>	<b>-</b>	<b>8.8%</b>	<b>-</b>

**Addendum**  
**Terms and Conditions**

## TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement" ) between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting services office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting services fee and preparation of a consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting Services fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others. The conclusions and any permitted reliance on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

## TERMS AND CONDITIONS

(continued)

9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.
13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.
15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.
16. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated

## TERMS AND CONDITIONS

(continued)

as an Intended User, in no event shall the receipt of an Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

17. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting report or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or consulting reports under this Agreement or (c) any acts or conduct relating to such services or consulting reports, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.



## **Appendix 22**

### Tourism Study

September 15, 2021

Anthony Wrzosek  
Vice President  
R.D. Olson Development  
520 Newport Center Drive, Suite 600  
Newport Beach, CA 92660

Dear Mr. Wrzosek,

We have completed our analysis of the Maui lodging market and the proposed hotel that R.D. Olson Development wishes to build in Kahului, Maui, Hawai‘i. This letter outlines our findings and conclusions.

**The Situation**

R.D. Olson has proposed the development of a 200-room select-service hotel on a five-acre site near Kahului Airport, currently known as the Kanaha Hotel. Due to its location, the proposed hotel is expected to serve demand generated by Kahului Airport and travelers doing business in the area. In addition to Kahului Airport, nearby demand generators include Maui County offices, the Wailuku courthouse, Kahului Harbor, Maui Memorial Hospital and the many businesses located in the Kahului/Wailuku area.

Following multiple years of record-setting visitor arrivals, residents across the state have expressed concern about “overtourism”. On Maui, some members of the community wish to impose limits on tourism. In particular, the question has been raised whether development of the proposed Kanaha Hotel is consistent with a policy that aims to limit the number of visitors on the island. In the Maui Island Plan, which was adopted December 2012, Policy 4.2.3.a states: *“Promote a desirable island population by striving to not exceed an island-wide visitor population of roughly 33 percent of the resident population.”* In recent years, Maui Island’s average daily visitor census (“ADC”) has exceeded the 33% mark by a wide margin.

In response to concerns about “overtourism”, the Hawai‘i Tourism Authority (“HTA”) commissioned community-based Destination Management Action Plans (“DMAPs”) to “rebuild, redefine and reset” Hawai‘i tourism as the it emerges from the pandemic-driven tourism pause. The DMAPs are action plans that articulate objectives and actions for each island during the period from 2021 to 2023.

You have asked us to analyze the Maui lodging market and provide commentary on the role of the proposed Kanaha Hotel within Maui’s mix of lodging inventory.

### **Our Approach**

We have conducted both primary and secondary research of the Maui lodging market. The secondary research consisted of analysis of data gathered and published by the HTA. Our primary research included interviews with numerous individuals associated with Maui's lodging market, including:

- Hotel general managers and sales managers,
- Executives at various demand generators familiar with the Kahului lodging market. These area demand generators include County Government, Maui Memorial Hospital, event-driven demand for sporting and cultural events, airport-driven demand such as distressed travelers.
- Airline executives familiar with the flight crew and distressed traveler markets on Maui.

### **Our Findings**

1. Maui Arrivals and ADC have increased in recent years, driven by growth in the supply of vacation rentals.
2. The ADC for Maui has exceeded the 33% visitor to resident metric on an island-wide basis in recent years. In Central Maui, where the proposed Kanaha Hotel would be built, the estimated visitor ratio is below 10%.
3. The proposed Kanaha Hotel is expected to primarily serve the *kama 'aina* market, with only a marginal contribution to the island's average daily census of visitors.
4. Some of the popularity of vacation rentals on Maui is likely price-driven, with Short-Term Rental Homes and Bed & Breakfasts (collectively referred to as "vacation rentals" in this report) providing an alternative to Maui's high-priced hotel rooms.
5. Hotels in the Kahului area primarily serve the interisland market and area non-leisure demand generators but also a segment of the mainland leisure market.
6. The proposed Kanaha Hotel will provide a legal alternative to vacation rentals, increasing the supply of hotel rooms in an under-served segment of the market. The supply of resort hotel rooms has decreased in recent years, in response to market conditions.

***Finding #1: Maui Arrivals and ADC have increased in recent years, driven by growth in the supply of vacation rentals. The supply of hotel rooms has decreased, in response to market conditions.***

**Maui Island Average Daily Visitor  
Census, 2015 - 2021 YTD**

Year	Maui Island ADC
2015	56,981
2016	58,599
2017	60,700
2018	64,473
2019	66,363
2020	20,591
YTD July 2021	52,769

Source: HTA

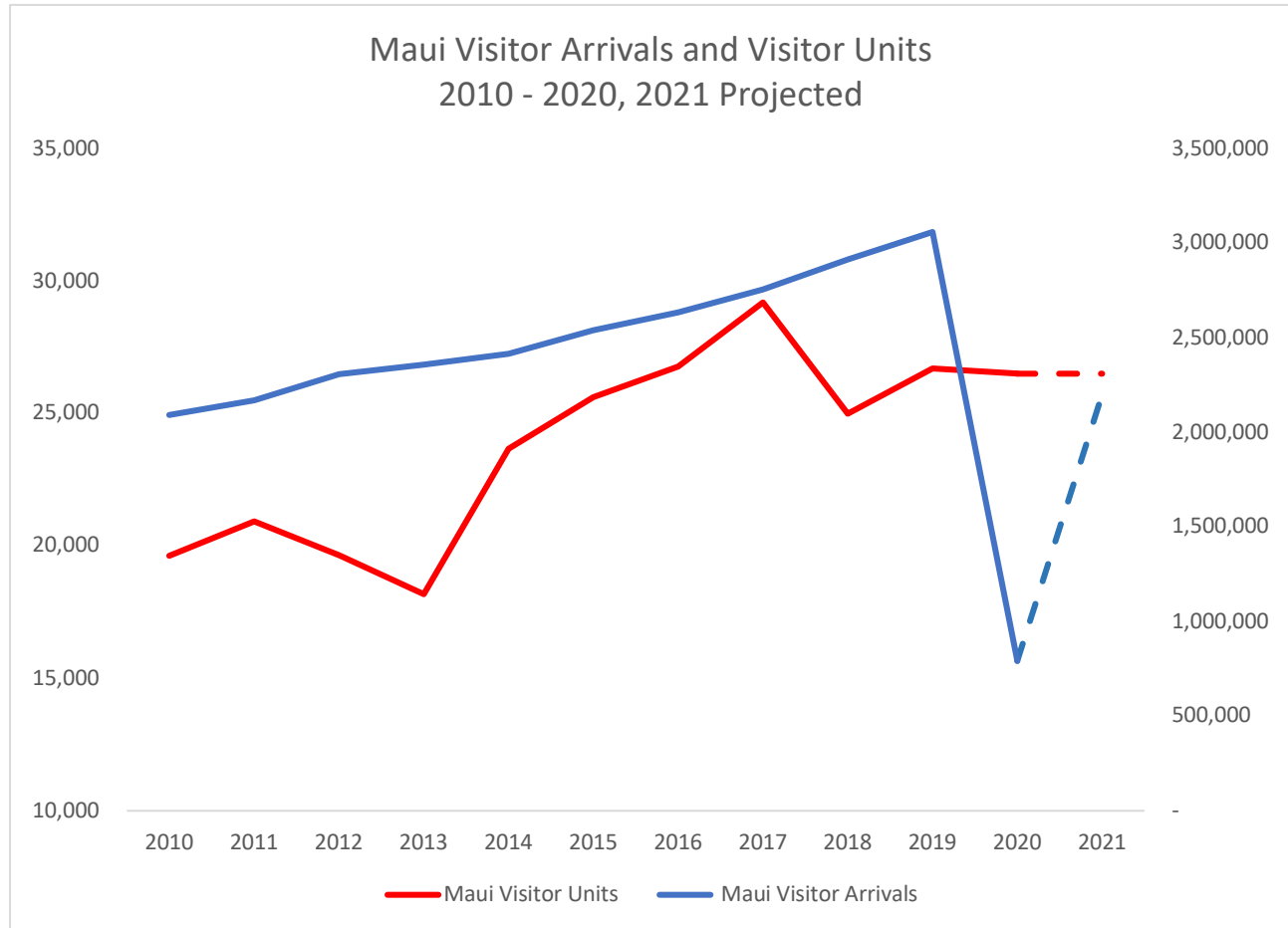
Based on the HTA ADC data and an estimated 2019 Maui Island population of about 157,000, the average number of visitors on the island was about 42% during 2019, well in excess of the Maui Island Plan policy metric of 33%. During 2020, Maui Island's ADC was 20,591, far below prior years due to the COVID-19 pandemic. The resulting mandatory 14-day quarantine for trans-Pacific travelers arriving in Hawai'i was in effect until October, followed by a pre-departure testing program that allowed arriving travelers to bypass quarantine. Maui Island's 2020 population was 154,100. During 2020, the ADC on the island was about 13%, far below the Maui Island Plan policy metric of 33%.

**Year-to-date 2021 update: Year-to-date July 2021, Maui Island's ADC was 52,769. Maui Island's 2020 population according to the 2020 Census was 154,100, meaning that through July, the average number of Maui visitors on the island equaled 34.2% of the resident population, slightly higher than the Maui Island Plan policy metric of 33%. Based on the seasonality of Maui tourism, which typically slows down during the fall before picking up around Christmas, we have estimated Maui's year end 2021 ADC at 50,829, equal to 33% of the island's population.**

We also note that Maui's 2021 ADC could decrease further if the number of vacation rentals on the island continues to decrease, as it has in recent months. In July, Maui County entered into agreements with Expedia (VRBO) and AirBNB, under which the vacation rental platforms will display the tax map key ("TMK") for each listing on the platforms. This will greatly enhance the county's ability to enforce laws against illegal vacation rentals. In July, the number of vacation rentals in Maui County decreased 22.2% compared to July 2019, suggesting that the TMK requirement is contributing to a decrease in the supply of vacation rentals on the

**island. If this trend continues for the balance of the year, Maui's ADC will likely fall below the 33% policy metric.**

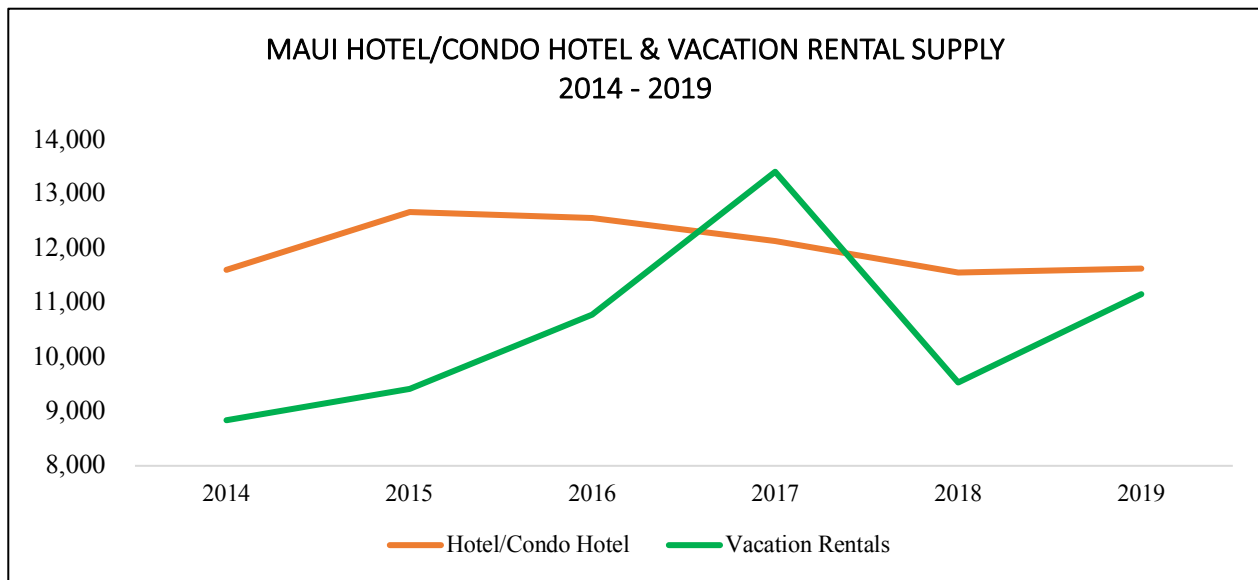
In the years up to 2019, Maui's visitor arrivals and ADC increased, driven by an increase in the number of visitor units on the island. Between 2010 and 2019, Maui Island's visitor arrivals increased from 2.1 million to 3.1 million, as shown in the chart below. During this period, the number of visitor units on the island grew from about 19,600 to 26,700.



Sources: HTA (historical), Kloninger & Sims (2021 projections)

The increase in visitor units (accommodations) on Maui in recent years was driven by the growing supply of vacation rental units. Prior to 2014 the State of Hawai'i did not have good data on the supply of vacation rentals, due to the dispersed and transitory nature of the supply and the difficulty of identifying the properties to survey. Starting in 2014 the state added a supplemental study to the traditional Visitor Plant Inventory that used data extracted from vacation rental booking sites. While an improvement on the survey method, the extracted data overstated the number of vacation rentals because of double and triple counting of units listed on multiple platforms. The 2014 to 2017 data show that the supply of vacation rentals on Maui was increasing at a rapid pace, while the supply of hotel and condo hotel rooms remained flat. Between 2014 and 2017, the supply of vacation rentals on Maui grew at an average rate of about 15% per year, increasing from 8,840 to 13,418.

Starting in 2018, the technology used to extract data from booking sites gained the capability to identify and eliminate duplicate listings. By 2019 there were about 11,200 vacation rentals on Maui, just short of the 11,600 hotel rooms. As shown in the following chart, the supply of hotel/condo hotel rooms on Maui was flat between 2014 and 2019, while the supply of vacation rentals increased substantially. Between 2018 and 2019 the supply of vacation rentals on Maui increased by 17%. The supply of vacation rentals on Maui decreased during the pandemic in 2020, as hosts removed listings due to the lack of demand that resulted from COVID-related travel fears and state-mandated restrictions on trans-Pacific travel.



The largest contributor to the decrease in Maui’s hotel room supply during this period was the 2016 closure of the 310-room Makena Beach Hotel. The hotel has been demolished and will be replaced by 65 resort condominium units. As hotels age and consumer-driven markets change, the supply of hotel rooms on Maui also changes over time. In the cases of the Makena Beach Hotel and the 196-room Kapalua Bay Hotel, which was demolished in 2006, underperforming beachfront resort hotels were replaced by condominium units serving the high-end second home market.

With the increase in Maui’s visitor arrivals and ADC coinciding with a *decrease* in the number of hotel rooms, it is apparent that the growing supply of other accommodation types, particularly vacation rentals, has driven Maui’s tourism growth in recent years. **A moratorium on new hotel construction would therefore likely not address concerns about “overtourism” on Maui.**

We also note that there is growing community interest in diversifying Maui’s economy. As Maui’s economy diversifies in coming years, there will be more demand for hotels serving the needs of non-leisure travelers. With proximity to the island’s business, government and medical facilities, the proposed Kanaha Hotel meets those needs. This is consistent with Objective 5 of the Maui Nui DMAP: *“Strengthen the economic contribution of Maui County’s visitor industry.”*



***Finding #2: The ADC for Maui has exceeded the 33% visitor to resident metric on an island-wide basis in recent years. In Central Maui, where the proposed Kanaha Hotel would be built, the estimated visitor ratio is below 10%.***

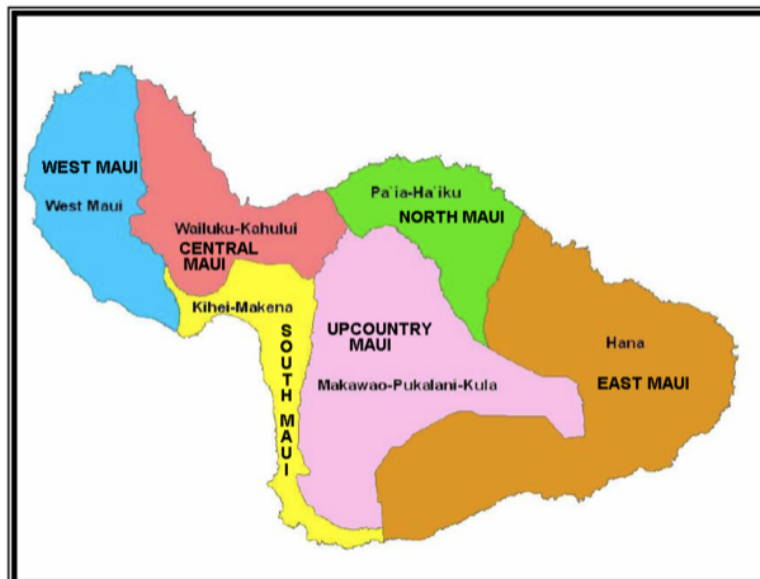
On an island-wide basis, Maui's ratio of visitors to residents was 42.1% in 2019, well above the 33% policy goal. We estimated the ADC by Community Plan Area, based on the supply of hotel rooms, timeshare units and vacation rentals and associated occupancy rates and average party size reported by the HTA. We also allocated the friends and family visitor market by population. West Maui and South Maui exceeded the 33% metric by a wide margin, unsurprisingly given the large number of visitor accommodations in those areas. We estimated that visitors in Central Maui in 2019 equaled 7.3% of the resident population in that area on any given day. This was driven both by the large resident population of Central Maui and the small number of accommodations in the area. Because the boundaries of the Community Plan Areas for North Maui, East Maui and Upcountry Maui do not align with the Zip Code data used to pull resident counts from US Census data, we combined the three areas into one. This combined area had the lowest ratio of visitors to residents in 2019, at 6.2%

2019 RATIO OF VISITORS TO RESIDENTS, BY COMMUNITY PLAN AREA

COMMUNITY PLAN AREA	2019 POPULATION	2019 ESTIMATED AVG. DAILY VISITOR CENSUS	2019 RATIO
<i>West Maui</i>	22,301	31,800	142.6%
<i>Central Maui</i>	63,111	4,600	7.3%
<i>South Maui</i>	28,737	27,200	94.7%
<i>North Maui/East Maui/Upcountry Maui</i>	43,440	2,700	6.2%

Source: Kloninger & Sims analysis of data from American Community Survey, Hawai'i Tourism Authority Visitor Plant Inventory, Monthly Hotel Market Performance Report, Quarterly Timeshare Report

MAUI ISLAND'S SIX COMMUNITY PLAN DISTRICTS



***Finding #3: The proposed Kanaha Hotel is expected to primarily serve the kama‘aina market, with only a marginal contribution to the island’s average daily census of visitors.***

Based on our analysis of the Maui lodging market, we estimate that the proposed Kanaha Hotel will accommodate an average of 138 visitors per night. This translates to a contribution of 0.27% of the 33% ADC policy metric. The table below summarizes our analysis:

**ESTIMATED CONTRIBUTION OF KANAHA HOTEL TO POLICY METRIC OF 33% ADC**

Kanaha Hotel Room Count	200	Rooms
Estimated Occupancy	80.0%	Occupancy
Estimated Nightly Occupied Rooms	160	Occupied Rooms
Estimated Share Kanaha Hotel Guests from Out of State	37.5%	Share
Estimated Nightly Rooms Occupied by Out-of-State Visitors	60	Occupied Visitor Rooms
Maui Average Visitor Party Size	2.3	Visitors
Estimated Nightly Out-of-State Visitors Staying in Kanaha Hotel	138	Visitors
Maui ADC Based on Population of 154,100 and Policy Metric of 33%	50,853	Visitors
<b>Estimated Contribution of Kanaha Hotel to Policy Metric of 33% ADC</b>	<b>0.27%</b>	<b>Contribution</b>

Source: Kloninger & Sims

We have applied an occupancy rate of 80% in the analysis, higher than the 2019 Maui County hotel occupancy rate of 77.7%. Based on 200 total rooms, an average of 160 rooms would be occupied nightly at the hotel. Our market interviews indicate that most of the room demand in the Kahului area is generated by interisland travel, not out-of-state visitors. We have applied a 37.5% share of occupancy to out-of-state visitors or 60 occupied rooms on an average night. According to HTA statistics, the average visitor party to Maui in 2019 consisted of 2.3 travelers, meaning an estimated 138 out-of-state visitors each night staying in Kanaha Hotel.

Applying the 33% ADC metric to the 2020 Maui Island population of 154,100 results in an ADC of 50,853 visitors. The estimated 138 visitors accommodated at the Kanaha Hotel represent 0.27% of the policy target number of 50,853 visitors on the island.

Stated another way, the estimated 138 out-of-state visitors accommodated by the proposed Kanaha Hotel on an average night would equal 0.09% of the island’s resident population of 154,100.

**Finding #4: Some of the popularity of vacation rentals on Maui is likely value-driven, providing an alternative to Maui's high-priced hotel rooms.**

Maui has the most expensive hotel rooms in the state by a wide margin, according to HTA data. As shown in the table below, Maui County's 2019 ADR of \$399 exceeded every other county's by more than \$100.

2019 STATE OF HAWAII AND COUNTY HOTEL MARKET PERFORMANCE

	Occupancy	Average Daily Rate	RevPAR
<i>O'ahu</i>	84.2%	\$241	\$203
<i>Maui County</i>	77.7%	\$399	\$310
<i>Island of Hawai'i</i>	77.1%	\$267	\$205
<i>Kaua'i</i>	76.3%	\$283	\$216
<b><i>State of Hawai'i</i></b>	<b>81.2%</b>	<b>\$283</b>	<b>\$229</b>

Source: STR, Inc. data reported by HTA

Maui's vacation rentals are generally less expensive than hotel rooms, as shown in the table below. In 2019, the average nightly rate at a Maui vacation rental was \$248, \$151 less expensive than the \$399 average nightly rate at a hotel. The average hotel room in the Wailea resort cost \$618 per night in 2019, compared to \$239 for the average vacation rental in the Wailea/Kihei area. For Maui visitors, vacation rentals clearly represent the value option for accommodations.

2019 MAUI OCCUPANCY, ADR AND SUPPLY, HOTELS/CONDO HOTELS VS. VACATION RENTALS

	HOTELS & CONDO HOTELS			VACATION RENTALS		
	Occupancy	Average Daily Rate	Number of Units	Occupancy	Average Daily Rate	Number of Units
<i>Wailea/Kihei</i>	88.4%	\$618	2,194	80.2%	\$239	4,191
<i>Lahaina/Kā'anapali/ Nāpili/Kapalua</i>	76.5%	\$334	7,067	77.9%	\$277	3,609
<i>Other Maui County</i>	79.2%	\$480	NA	NA	NA	NA
<b><i>Maui County</i></b>	<b>77.7%</b>	<b>\$399</b>	<b>12,636</b>	<b>78.7%</b>	<b>\$248</b>	<b>8,902</b>

Source: HTA December 2019 Hotel and Vacation Rental Reports

Note: Hotel & Condo Hotel data for Wailea/Kihei includes only units in Wailea Resort

The following table compares the rate categories for the Maui and state accommodation markets with the rate categories for Maui and State of Hawai‘i vacation rentals. Maui’s accommodation market has higher prices than the state as a whole, with Maui having a lower percentage of rooms in the Budget (Up to \$100/night), Standard (\$101 to \$250/night) and Deluxe (\$251 to \$500/night) categories compared with the state. Most of the rooms on Maui (55.9%) are in the Luxury category (Over \$500/night), compared with 39.7% of statewide visitor rooms being in the Luxury category.

In the vacation rental market, Maui’s accommodations also skew toward the higher price categories but less so than the overall accommodation market. Similar to the overall accommodation market, Maui has a lower share of vacation rental units in the Budget and Standard categories. Maui however, has a greater share in the Deluxe category (60.7%) than the average for the statewide vacation rental market, where 44.1% of the units are priced between \$251 and \$500. Maui has a slightly greater share of vacation rentals in the Luxury category compared with the overall state vacation rental market, 16.2% vs 13.0%.

The rate category data suggests that Maui’s vacation rental market is serving a segment of the Maui accommodation market that is currently under-served by the island’s hotels. This is particularly true with respect to the Standard (\$101 to \$250/night) and Deluxe (\$251 to \$500) categories. In both these categories, Maui’s vacation rental supply is providing a higher share of the supply than the overall market. The Standard category represents 22.4% of the vacation rental market but only 18.1% of the overall accommodation market. The Deluxe category accounts for 60.7% of the vacation rental market but only 25.2% of the overall supply of visitor accommodations on the island.

MAUI COUNTY VISITOR ACCOMMODATIONS BY RATE CATEGORY

	<u>ALL ACCOMMODATION TYPES</u>		<u>VACATION RENTALS</u>	
	Maui	State	Maui	State
<i>Budget (Up to \$100/night)</i>	0.8%	3.2%	0.7%	5.5%
<i>Standard (\$101 to \$250/night)</i>	18.1%	26.5%	22.4%	36.6%
<i>Deluxe (\$251 to \$500/night)</i>	25.2%	30.7%	60.7%	44.1%
<i>Luxury (Over \$500/night)</i>	55.9%	39.7%	16.2%	13.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: HTA 2019 Visitor Plant Inventory

***Finding #5: Hotels in the Kahului area primarily serve the interisland market and area non-leisure demand generators***

The overwhelming share of out-of-state visitors to Maui are on vacation, with corporate meeting, convention and incentive (“MCI”) visitors and other non-leisure visitors comprising much smaller shares of the market. In 2019, 85% of the out-of-state visitors to Maui were in the leisure segment, with corporate MCI and other non-leisure visitors representing 8% and 7% of the market, respectively.

2019 MAUI ISLAND HOTEL ROOM DEMAND BY PURPOSE OF VISIT

Segment	Leisure	Corporate MCI	Non-Leisure (excludes MCI)	Total
<i>Nightly Room Demand</i>	9,870	922	794	11,586
<i>Share of Total</i>	85.2%	8.0%	6.9%	100%

Source: HTA

The three Kahului-area hotels (Courtyard Maui, Maui Beach Hotel and Maui Seaside Hotel) cater to some out-of-state demand but primarily serve demand from inter-island travelers and demand generated by the airport, according to our interviews of hotel management and hotel sales managers familiar with the Kahului market.

Our market interviews indicate that collectively, the three hotels receive slightly more than 60% of their business from the *kama‘aina* market, which consists of both leisure and business travel. (We note that as of the date of this report the State of Hawai‘i had only recently implemented the pre-travel testing program that allows trans-Pacific travelers to forego the mandatory 14-day quarantine if they have tested negative for COVID-19. Since mid-March Hawai‘i air travel to the state has been 95%+ below pre-pandemic levels. In our market interviews we discussed both the current market and the “pre-COVID market.” For the purposes of this study we focus on the “pre-COVID market.”)

The two older hotels, the Maui Beach and Maui Seaside are located on the beach shoreline of Kahului Harbor, the island’s primary port for cargo and cruise ships. Because of the poor water quality this beach is not popular for swimming, especially with so many excellent swimmable white sand beaches nearby. The two older properties cater to the price-sensitive segment of the market. According to our interviews, these hotels achieved estimated ADRs of about \$200 during 2019, while the Courtyard achieved an estimated 2019 ADR of \$250. In addition to being much newer, the Courtyard offers a superior physical product than the Maui Beach and Maui Seaside. Collectively, the three hotels ran substantially higher occupancy in 2019 than Maui County’s 77.7% occupancy, according to our interviews.

With *kama‘aina* leisure, corporate, government, group business from the social, military, education, religion and fraternal (“SMERF”) demand representing an estimated 62.5% of demand at the Kahului hotels, the remaining 37.5% of demand comes from out of state. Our interviews indicate that the mix of business at the Kahului area hotels is as follows:

KAHULUI HOTEL MARKET - ESTIMATED MIX OF BUSINESS

	Out-of-State	Kama'aina	Total
<i>Corporate</i>	8.0%	32.0%	40.0%
<i>Leisure</i>	22.0%	3.0%	25.0%
<i>SMERF Group</i>	0.0%	15.0%	15.0%
<i>Corporate Meeting</i>	2.0%	8.0%	10.0%
<i>Government</i>	1.0%	4.0%	5.0%
<i>Friends &amp; Family</i>	4.5%	0.5%	5.0%
	<b>37.5%</b>	<b>62.5%</b>	<b>100.0%</b>

Source: Market interviews

Within each market segment, the Maui Beach and Maui Seaside cater to the more price-sensitive guests. In the *kama'aina* corporate segment, for example the Maui Beach and Maui Seaside compete with each other for the lower-end business, while the Courtyard captures the higher-rated business from professionals from Oahu doing business with the County and employees of large companies, whose travel policies may favor branded properties such as the Courtyard.

We believe that the Kanaha Hotel will primarily compete with the Courtyard for the *kama'aina* market, both corporate and leisure, as well as for the mainland leisure market. The price-conscious segment of each market will continue to be served by the Maui Beach and Maui Seaside. As a new-build hotel, the Kanaha Hotel will have a higher quality physical product than the older harbor-front hotels, making it directly competitive with the Courtyard.

The Kanaha Hotel will also likely generate some new room demand from the *kama'aina* corporate segment. With a greater supply of high-quality rooms in the area, some of the in-state day trips to Maui from other islands to conduct business in the Kahului/Wailuku can be expected to convert to overnight stays. This incremental demand is likely marginal, on the order of an additional ten occupied room nights per day.



KAHULUI HOTELS

Name	Number of Rooms	Year Open	Estimated 2019 ADR
<i>Maui Beach Hotel</i>	147	1968	\$200
<i>Maui Seaside Hotel</i>	183	1975	\$200
<i>Courtyard by Marriott Kahului Airport</i>	138	2012	\$250

Source: HTA, market interviews

The area demand generators include:

**Maui Memorial Hospital:** The Kahului hotels capture some demand from medical professionals traveling to Maui, including physicians and nurses based either on the mainland or Oahu. The hospital also generates demand from off-island family members of patients staying in the hospital. According to our interviews, all three area hotels compete for this business, with much of the family demand being captured by the Maui Beach and Maui Seaside, due to having lower room rates than the Courtyard.

**War Memorial Stadium Complex:** The War Memorial Stadium Complex is located in the Kahului area and includes a 23,000-seat stadium for football, soccer and track & field, a 1,500-seat stadium for baseball and softball and a 2,000-seat gymnasium for basketball and volleyball. High school sports teams visiting from other islands, often during state tournaments, generate room night demand from players, coaches and family members. In recent years Hawai'i high school sports adopted a multi-division structure, which greatly increased the number of state tournament games. Historically the Maui Beach and Maui Seaside captured most of this demand, due to their lower room rates.

**Maui County Government and Courts:** Nearby Wailuku is Maui's county seat. Residents from other islands doing business with Maui County or legal proceedings in the Wailuku Courthouse generate room demand from area hotels. According to our market interviews, each of the three area hotels capture some of this demand.

**Maui Arts & Cultural Center:** The Maui Arts & Cultural Center ("MACC") in Kahului is Maui's largest performing arts venue, with indoor venues accommodating up to 1,500 and an amphitheater for up to 5,500 spectators. The MACC generates room demand in the area several times per year, from off-island talent and production crews, as well as off-island residents traveling to Maui to attend the events.

**Kahului Airport:** Kahului Airport is the island's major airport, serving nearly eight million passengers in 2019. While most of the airport's flights are interisland, Kahului

Airport is served by eight carriers providing non-stop service to 19 North American cities. During 2019 these carriers operated a total of 2.9 million seats into Kahului. Flight crews generate some room demand in the area but many of the labor agreements for pilots and cabin attendants prohibit housing crews at airport hotels. As a result, most of the airline crew demand is accommodated in hotels located some distance from the airport. The airport does generate demand from distressed travelers, the term for airline passengers whose flights are delayed due to mechanical issues with aircraft. While this demand is impossible to plan for, it does generate room demand throughout the year.

When there is a flight delay requiring an overnight stay, there can be un-planned-for demand for 100 to 200 rooms. Due to Maui's high hotel occupancy and limited supply of hotels near the airport, distressed travelers from a delayed flight are often accommodated in a number of different hotels, including properties in the resort areas of Wailea and Kaanapali. With a growing number of direct mainland flights coming into Kahului Airport, many of them wide body aircraft, the airport is generating more hotel room nights due to flight delays. With the addition of the Kanaha Hotel, which borders the airport property, there will be a greater supply of hotel rooms near the airport to accommodate distressed traveler room demand. This provides a community benefit by reducing the traffic generated transporting distressed travelers to and from hotels in resort areas.

**Kahului Area Businesses and Construction Projects:** According to our market interviews, *kama'aina* corporate demand is the single largest market segment for the hotels in Kahului. This includes people primarily from Oahu but also Hawai'i Island, Lāna'i, Molokai and Kauai, doing business in the area. Much of this demand is related to construction, from specialty trades people working on projects being temporarily housed on Maui during construction projects in Kahului, Wailuku, Maui Lani, Kihei, Wailea and Makena. The construction accounts are more price sensitive than other corporate accounts. As a result, the construction industry demand is primarily accommodated at the Maui Beach and Maui Seaside.

**Mainland Leisure:** The hotels in the Kahului area cater to mainland leisure demand as well. According to our interviews, the visitors staying in these hotels tend to be value-driven, attracted to the relatively low room rates available in the area, as well as the central location. While the beaches in the area are not particularly attractive, visitors staying in Kahului often take day trips to beaches in South Maui.

***Finding #6: The proposed Kanaha Hotel will provide a legal alternative to vacation rentals, increasing the supply of hotel rooms in an under-served segment of the market.***

With average hotel room rates on Maui approaching \$400 per night, the value-driven segment of the market has been accommodated largely by vacation rentals, where average rates are about \$250 per night. In recent years the supply of vacation rentals on the island has grown dramatically. Much of the new supply has been located outside of traditional resort areas, encroaching upon the island's residential neighborhoods.

The three existing hotels in Kahului serve the medical, sports, government and corporate *kama'aina* markets, in addition to demand generated by Kahului airport and some mainland leisure demand. Kahului area hotels accommodate non-leisure demand from mostly inter-island travelers visiting Maui for business, to attend an event or visit friends and family. To a lesser extent, the hotels serve the value-driven segment of the mainland leisure market seeking accommodations that are less expensive than hotels and condos in the island's resort areas.

Once built, the proposed Kanaha Hotel will likely cater to a mix of demand generated by the airport and other area demand generators, competing with the three existing Kahului area hotels. With additional rooms in the market, there will be more hotel room supply available to visitors seeking accommodations priced lower than hotels in the resort areas. As such, the Kanaha Hotel will compete with the island's vacation rentals, many of which are not licensed or are located in areas that are not zoned for transient rental. The hotel will provide price-conscious visitors with a legal alternative to vacation rentals.

By increasing the supply of legal accommodations priced well below the average pricing for Maui hotels, the Kanaha Hotel will capture market share from vacation rentals. Rather than attracting additional visitors to Maui, the proposed Kanaha Hotel will likely displace demand currently accommodated by vacation rentals, many of which are unlicensed. As such the Kanaha Hotel will support the Maui DMAP's objective strengthening the economic contribution of the visitor industry. To the extent that it reduces demand for vacation rentals, Kanaha Hotel will also align with the DMAP objective of creating positive contribution to the quality of life for Maui residents.

There is consumer research suggesting that Maui vacation rental visitors consider select-service hotels, similar to what is contemplated for the planned Kanaha Hotel, to be an alternative to vacation rentals. In a 2016 study of Hawai'i's vacation rental market, JLL found that 15% of Hawai'i vacation rental visitors said that if they were not able to stay in a vacation rental they would not visit Hawai'i. Another approximately 23% said that they would opt to stay in a select-service hotel instead. This suggests that consumers view select-service hotels on Maui as an alternative to vacation rentals, likely due to their comparable price points.

Thank you for providing us the opportunity to study this interesting project. Please feel free to reach out if you have any questions.

Regards,

Erik Kloninger  
Partner  
Kloninger & Sims Consulting