Market Study

KANOELEHUA INDUSTRIAL AREA, HILO, HAWAII

Prepared for:

State of Hawaii

Department of Land and Natural Resources

June 2015

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CONTENTS

Page

I. INTRODUCTION 1
- A. PURPOSE 1
- B. KANOELEHUA INDUSTRIAL AREA OVERVIEW 1
- C. METHODOLOGY 4

II. POPULATION AND EMPLOYMENT TRENDS 6
- A. POPULATION 6
- B. EMPLOYED RESIDENTS 7
- C. JOBS 8
- D. UNEMPLOYMENT 12

III. INDUSTRIAL MARKET OVERVIEW 14
- A. COMMERCIAL AND INDUSTRIAL MARKET CONDITIONS 14
- B. INDUSTRIAL LANDS IN HAWAII COUNTY 15
- C. INDUSTRIAL PARKS IN EAST HAWAII 20
- D. KANOELEHUA INDUSTRIAL AREA SUMMARY OF LEASES 23

IV. MARKET DEMAND FORECAST 25
- A. EMPLOYMENT PROJECTIONS 25
- B. INDUSTRIAL LAND DEMAND 27
- C. PLANNED AND PROPOSED PROJECTS 29
- D. DEMAND FOR COMMERCIAL USES AT KANOELEHUA 30

V. CONCLUSION 32
- A. SUMMARY OF FINDINGS 32
- B. MARKET DEMAND FOR KIA PROPERTIES 34

VI. REFERENCES 37

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LIST OF FIGURES

Page

Figure 1. Regional Location Map 2
Figure 2. DLNR Leased Properties 3
Figure 3. Wage and Salary Jobs, 2013, by County 9
Figure 4. Wage and Salary Jobs, Hawaii County, 2000-2013 10
Figure 5. Industrial-Related Wage and Salary Jobs, Hawaii County, 2000-2013 11
Figure 6. Unemployment Rate, State of Hawaii and Hawaii County, 2000-2014 13
Figure 7. Industrial Zoned Land 17
Figure 8. East Hawaii Industrial Parks 21

LIST OF TABLES

Table 1. Hawaii County Population by Region, 2000 and 2010 6
Table 2. Hawaii County Employed Residents (Age 16+) by Region 2010 7
Table 3. Employed Civilian Population (Age 16+) by Industry, Hilo and Hawaii County, 2010 8
Table 4. Job Count by Industry, State of Hawaii and Hawaii County, 2013 12
Table 5. Unemployment Rate by County, September 2013 and September 2014 13
Table 6. Commercial Lease Rates (Per Square Foot Per Month), State of Hawaii, Q2 2014 14
Table 7. Industrial Market Statistics, State of Hawaii, Q2 2014 15
Table 8. Industrial Zoned Lands in Hawaii County 16
Table 9. Industrial Properties for Lease, County of Hawaii, June 2014 18
Table 10. Industrial Land for Lease, State of Hawaii, June 2014 19
Table 11. Industrial Parks in East Hawaii 22
Table 12. Summary of Kanoelehua Industrial Area Leases 24
Table 13. Job Projections (Civilian Wage and Salary Jobs) by County, 2015-2040 25
Table 14. Job Projections (Civilian Wage and Salary Jobs), County of Hawaii, 2015-2040 26
Table 15. Projected Industrial-Related Jobs, County of Hawaii, 2015-2014 27
Table 16. Demand for Industrial Space, Hawaii County, 2015-2040 28
Table 17. Demand for Industrial Space, Hawaii County and Hilo 28

LIST OF APPENDICES

Appendix A. Kanoelehua Industrial Area – Land Use Designations for North and South Study Areas
Appendix B. Permitted Uses by Zoning District
Appendix C. Photos of East Hawaii Industrial Parks
Appendix D. Annual Growth Rate of Employment by Industry, Hawaii County, 2015 to 2040

I. INTRODUCTION

I. INTRODUCTION

A. PURPOSE

The State of Hawaii, Department of Land and Natural Resources (DLNR) owns approximately 59 acres of land in the Kanoelehua Industrial Area (KIA) in Hilo on the island of Hawaii. The DLNR leases its lands within the KIA to various tenants for industrial, commercial, and utility uses. Many of these leases were entered into in the 1960s and are set to expire in the next several years. With the approaching expiration of these leases, DLNR has commissioned several studies for the KIA to support long-term planning efforts for the area.

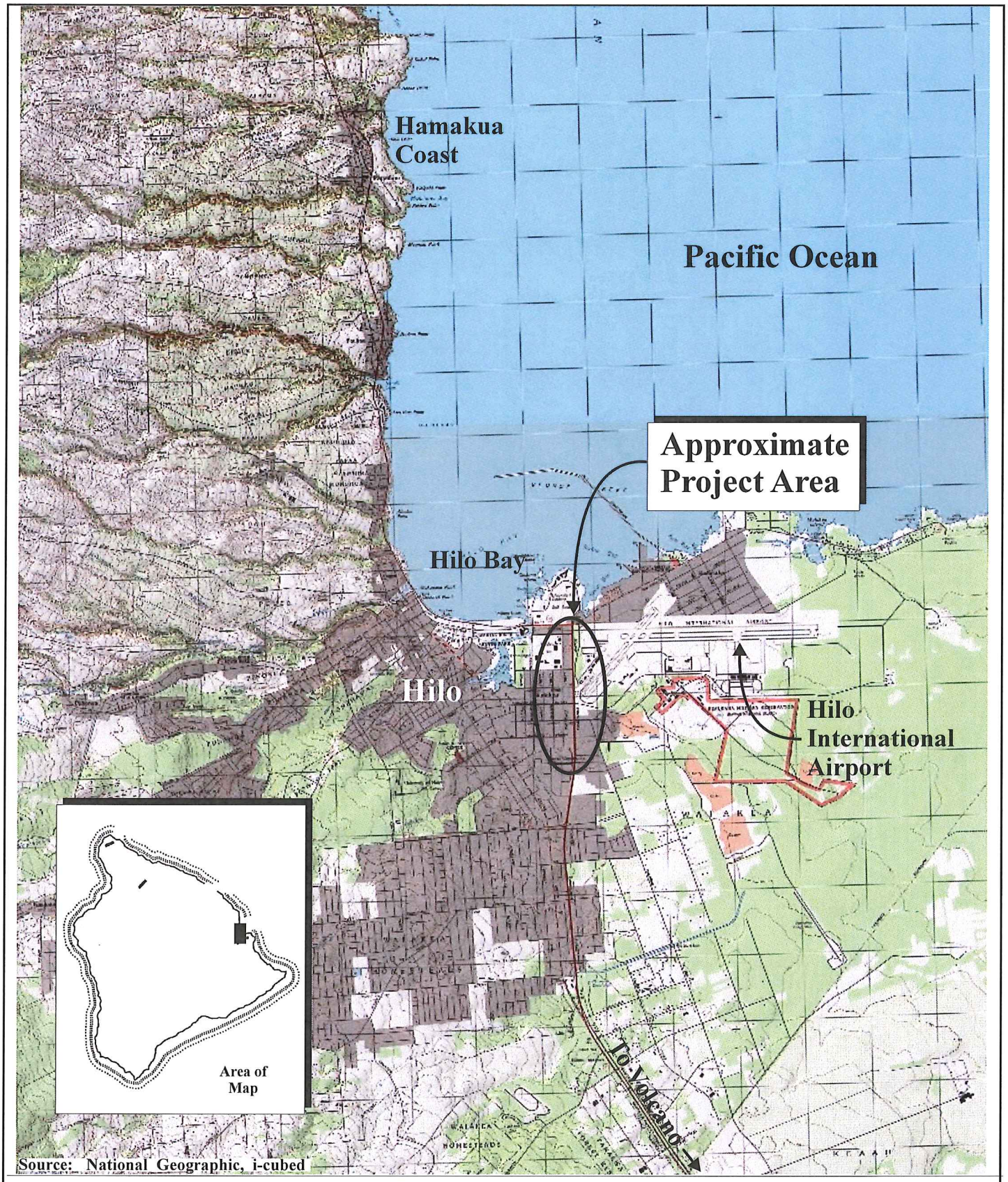
This Market Study will assess the market conditions for industrial properties in Hilo and the KIA and analyze future demand for industrial, commercial, and mixed-industrial-commercial uses on these lands in the short and long term.

B. KANOELEHUA INDUSTRIAL AREA OVERVIEW

KIA is located in the urbanized region of Hilo in the vicinity of Hilo International Airport. See **Figure 1**. To the north of KIA are the Wailoa River State Park and the Waiakea Pond with Downtown Hilo beyond. The Coconut Island Park is located to the east.

The DLNR owns 79 parcels within the KIA area which are leased to tenants via 70 leases. See **Figure 2**. Leases governing these parcels are set to expire between 2016 and 2044. The majority of parcels are currently occupied by industrial and commercial uses, with limited office and utility uses occurring on KIA lands. The County of Hawaii's Land Use Pattern Allocation Guide (LUPAG), a component of the Land Use Element of the County's General Plan, designates the lands underlying the KIA lease parcels as Industrial, Medium Density Urban, and High Density Urban. Consistent with the industrial character of the KIA, the majority of DLNR's lands in the area are County-zoned General Industrial and Limited Industrial. There are a few parcels zoned Neighborhood Commercial. Maps illustrating the existing land uses and land use designations are presented in **Appendix "A"**.

A description of the zoning districts underlying DLNR's KIA lands is provided below, while a list of permitted uses by zoning district is presented in **Appendix "B"**.



Source: National Geographic, i-cubed

Figure 1 Kanoelehua Industrial Area Market Study

Regional Location Map

0 1,667 3,334 6,667 Feet

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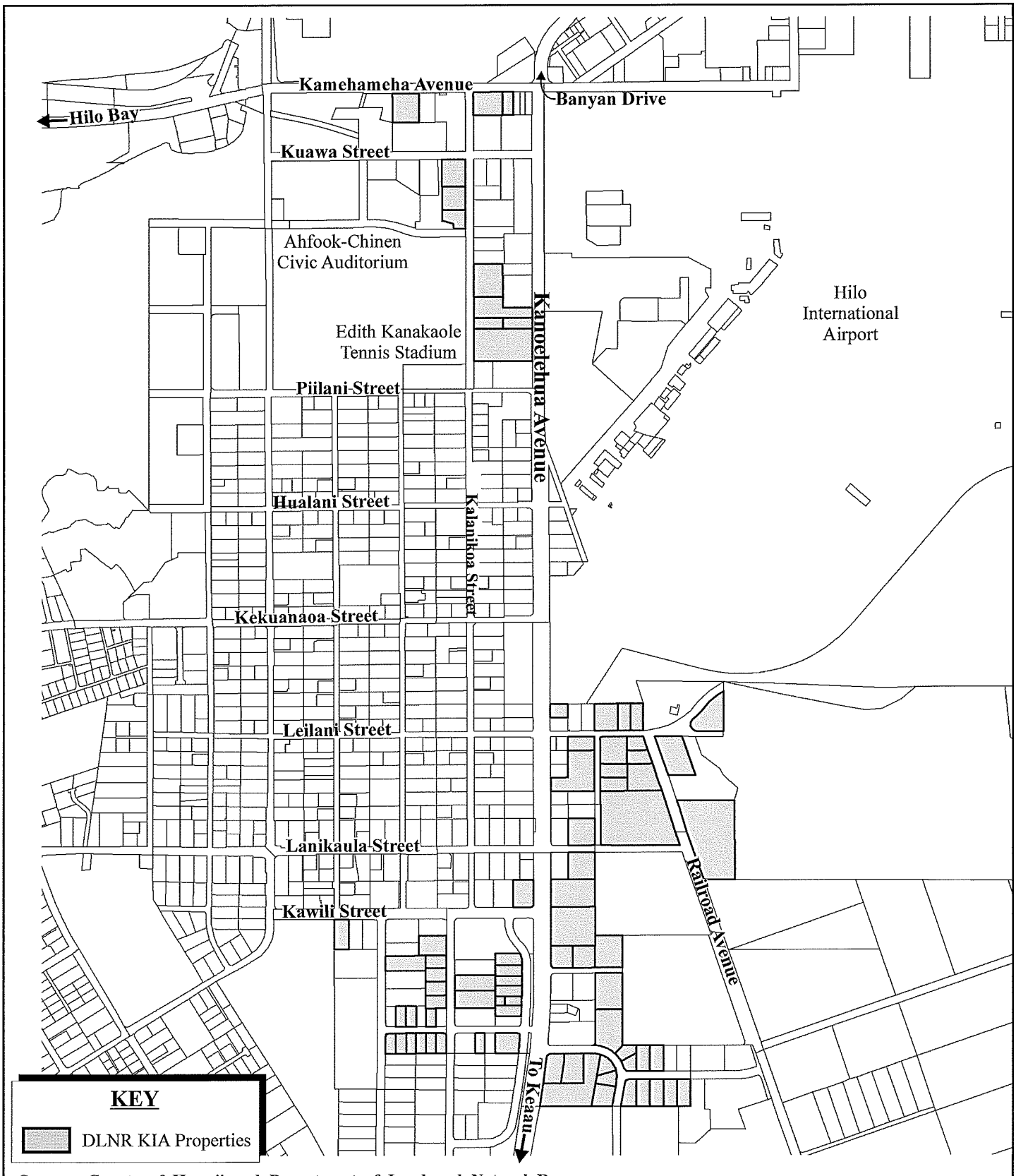
Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\Regional Location



Source: County of Hawaii and Department of Land and Natural Resources

Figure 2 Kanoelehua Industrial Area

DLNR Leased Properties

0 250 500 1000 Feet

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Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\Overall Study Area Parcels.MS

- **Limited Industrial (ML)** – The ML district applies to areas for business and industrial uses which are generally in support of but not necessarily compatible with permissible activities and uses in other commercial districts.

- **General Industrial (MG)** – The MG district is intended for heavier industrial uses compared to the ML district. The MG district applies to areas for uses that are generally considered to be offensive or have some element of danger.

- **Neighborhood Commercial (CN)** – This zoning district applies to strategically located centers suitable for commercial activities which shall be of such size and shape as will accommodate a compact shopping center which supplies goods and services to a residential or working population on a frequent need or convenience basis. This district is distinguished from a central commercial district which provides general business and broad services to a city or region.

In general, the ML and MG districts allow for limited commercial uses such as bakeries, bars, restaurants, home improvement centers, laboratories, and storage facilities. Various manufacturing, repair, and storage uses are permitted in these zoning districts, with a greater variety of uses allowed in the MG district compared to the ML district. Examples of industrial uses allowed in both ML and MG districts include cleaning and dyeing plants, contractors' yards, food manufacturing and processing, heavy equipment sale, service, and rental, publishing/printing plants, utility facilities, warehousing, and wholesaling and distribution. Heavier industrial uses only allowed in the MG district include bulk storage of flammable or explosive products, concrete or asphalt batching, freight movers, lumberyards, major repair establishments, saw mills, and automobile body and fender establishments.

It is noted that business services, commercial or personal services, offices, and general retail establishments are not permitted uses within the ML or MG districts. Only retail sales that are incidental and subordinate to permitted uses within the zoning district are allowed.

C. METHODOLOGY

To facilitate an understanding of market conditions in Hilo and the KIA, this study analyzes demographic and employment trends for the State, County of Hawaii, and Hilo area. This

Market Study incorporates data from numerous sources. Demographic data was gathered from the U.S. Census Bureau. Other data sources utilized in this study include employment statistics from the State of Hawaii, Department of Labor and Industrial Relations and employment forecasts from the State of Hawaii, Department of Business, Economic Development, and Tourism.

Information on commercial and industrial market conditions was obtained from brokerage firms, real estate listings, and other sources. As noted previously, general office and retail uses are not permitted in the General Industrial (MG) and Limited Industrial (ML) zoning districts. Therefore, this Market Study focuses primarily on the industrial sector of commercial real estate.

II. POPULATION AND EMPLOYMENT TRENDS

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A. POPULATION

In 2010, there were 1.36 million residents in the State of Hawaii, an increase of 12 percent since 2000. Hawaii County accounted for 14 percent of the statewide population, or 185,079 people in 2010. See **Table 1**. The population growth rate in Hawaii County outpaced growth in the State as a whole, increasing by 25 percent between 2000 and 2010.

Table 1. Hawaii County Population by Region, 2000 and 2010

	2000		2010		Pop. Increase	Pct Change
	No.	% of Total	No.	% of Total	2000-2010	2000-2010
Hawaii County, Hawaii	**148,677**	**100.0%**	**185,079**	**100.0%**	**36,402**	**24.5%**
Hilo	*42,425*	*28.5%*	*45,714*	*24.7%*	*3,289*	*7.8%*
Honokaa-Kukuihaele	3,895	2.6%	3,925	2.1%	30	0.8%
Kau	5,827	3.9%	8,451	4.6%	2,624	45.0%
Keaau-Mountain View	22,738	15.3%	34,266	18.5%	11,528	50.7%
North Hilo	1,720	1.2%	2,041	1.1%	321	18.7%
North Kohala	6,038	4.1%	6,322	3.4%	284	4.7%
North Kona	28,543	19.2%	37,875	20.5%	9,332	32.7%
Paauhau-Paauilo	2,213	1.5%	2,588	1.4%	375	16.9%
Pahoa-Kalapana	8,597	5.8%	11,060	6.0%	2,463	28.6%
Papaikou-Wailea	4,961	3.3%	5,213	2.8%	252	5.1%
South Kohala	13,131	8.8%	17,627	9.5%	4,496	34.2%
South Kona	8,589	5.8%	9,997	5.4%	1,408	16.4%

Source: U.S. Census Bureau, 2000 and 2010.
Prepared by: Munekiyo Hiraga, 2014.

Table 1 also presents the distribution of population by region (defined here as Census County Divisions) and illustrates the changing landscape of Hawaii County. Hilo continues to be the largest population center in the County, with 25 percent of countywide population, or 45,714 residents, in 2010. However, other areas of the island are adding more residents and growing at a faster rate than Hilo. The Keaau-Mountain View and North Kona regions, in particular, experienced substantial population growth between 2000 and 2010, adding 11,528 residents (51 percent growth) and 9,332 residents (33 percent growth), respectively. By comparison, Hilo grew by just 8 percent, or 3,289 residents, during the same time frame. North Kona and Keaau-Mountain View are the second and third largest population centers in Hawaii County and represent a larger share of countywide population in 2010 compared to 2000.

B. EMPLOYED RESIDENTS

Approximately 46 percent of Hawaii County's population were employed civilians in 2010. **Table 2** presents data on the employed civilian population, age 16 years and over, by region. It is noted that this data represents where employed residents live rather than where their job is located. In general, the distribution of employed civilians within the County is relatively consistent with the distribution of the total resident population as a whole. Hilo and North Kona have the largest numbers of employed civilians within the County, with 22,743 residents (27 percent) and 20,686 residents (24 percent), respectively. A slightly higher proportion of Hilo and North Kona residents are employed compared to the County as a whole. Approximately 50 percent of Hilo residents and 55 percent of North Kona were employed civilians, compared to 46 percent in the County as a whole.

Table 2. Hawaii County Employed Residents (Age 16+) by Region 2010

	Total Population		Employed Civilian Popualtion		Employed Pop. as % of Total Pop.
	No.	% of Total	No.	% of Total	
Hawaii County, Hawaii	**185,079**	**100.0%**	**85,780**	**100.0%**	46.3%
Hilo	*45,714*	*24.7%*	*22,743*	*26.5%*	49.8%
Honokaa-Kukuihaele	3,925	2.1%	1,966	2.3%	50.1%
Kau	8,451	4.6%	3,023	3.5%	35.8%
Keaau-Mountain View	34,266	18.5%	11,867	13.8%	34.6%
North Hilo	2,041	1.1%	847	1.0%	41.5%
North Kohala	6,322	3.4%	2,670	3.1%	42.2%
North Kona	37,875	20.5%	20,686	24.1%	54.6%
Paauhau-Paauilo	2,588	1.4%	1,297	1.5%	50.1%
Pahoa-Kalapana	11,060	6.0%	3,507	4.1%	31.7%
Papaikou-Wailea	5,213	2.8%	2,454	2.9%	47.1%
South Kohala	17,627	9.5%	9,698	11.3%	55.0%
South Kona	9,997	5.4%	5,022	5.9%	50.2%

Source: U.S. Census Bureau, 2000 and 2010.
Prepared by: Munekiyo Hiraga, 2014.

Table 3 provides a distribution of employed civilians by industry for the County and Hilo. As noted above, this data is based on where the employed person lives rather than the location of his or her job. Overall, 27 percent of employed civilian residents in Hawaii County reside in Hilo. As the seat of County government and home to the University of Hawaii at Hilo, the Hilo region has a larger proportion of residents working in public administration (46 percent of County total) and education, health, and social services (39 percent).

Table 3. Employed Civilian Population (Age 16+) by Industry, Hilo and Hawaii County, 2010

	Hawaii County		Hilo		Hilo as % of County
	No.	% of Total	No.	% of Total	
Agriculture, forestry, fishing and hunting, and	3,910	4.6%	354	1.6%	9.1%
Construction	***9,450***	***11.0%***	***1,541***	***6.8%***	***16.3%***
Manufacturing	***2,282***	***2.7%***	***514***	***2.3%***	***22.5%***
Wholesale trade	***2,289***	***2.7%***	***783***	***3.4%***	***34.2%***
Retail trade	10,922	12.7%	3,141	13.8%	28.8%
Transportation and warehousing, and utilities	***3,789***	***4.4%***	***1,297***	***5.7%***	***34.2%***
Information	1,071	1.2%	227	1.0%	21.2%
Finance, insurance, real estate, and rental and leasing	5,002	5.8%	1,321	5.8%	26.4%
Professional, scientific, management, administrative, and waste management services	7,858	9.2%	1,696	7.5%	21.6%
Educational, health and social services	16,162	18.8%	6,256	27.5%	38.7%
Arts, entertainment, recreation, accommodation and food services	14,809	17.3%	2,489	10.9%	16.8%
Other services (except public administration)	3,639	4.2%	1,019	4.5%	28.0%
Public administration	4,597	5.4%	2,105	9.3%	45.8%
TOTAL	**85,780**	**100.0%**	**22,743**	**100.0%**	**26.5%**

Source: U.S. Census Bureau, 2010.
Prepared by: Munekiyo Hiraga, 2014.

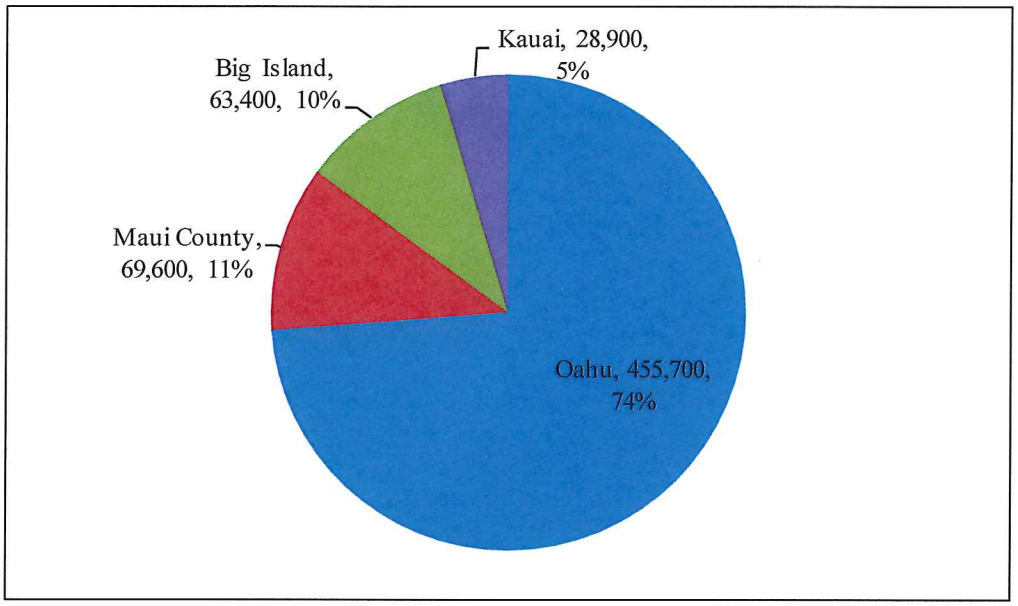
The industries that are most typically associated with industrial space, namely Construction, Manufacturing, Wholesale Trade, and Transportation and Warehousing, and Utilities, are bolded in **Table 3**. These industries do not make up a large proportion of employed residents in Hilo as a whole, with less than 7 percent of employed Hilo residents working in any one of these industry sectors. Collectively, residents working in these industries account for 18 percent of all employed residents in Hilo. It is noted, however, that Hilo residents employed in the wholesale trade and transportation and warehousing, and utilities sectors comprise a larger share of countywide employed residents in these two (2) sectors. Approximately 34 percent of employed residents in each of these two (2) sectors in Hawaii County reside in Hilo. While this data is based on where people live rather than where they work, Hilo's higher share of employed residents in wholesale trade and transportation and warehousing and utilities may shed light on job distribution to the extent that residents tend to live in close proximity to where they work.

C. JOBS

In 2013, there were 617,600 total wage and salary jobs in the State of Hawaii. As shown in **Figure 3**, 10 percent, or 63,400 of these jobs were located on the Big Island. It is noted that the number of employed civilians in Hawaii County reported in **Table 2** (85,780 people in 2010) exceeds the number of jobs (63,400 in 2013) because the employment figure is

limited to non-agricultural wage and salary jobs. This figure does not include agricultural jobs and self-employed individuals.

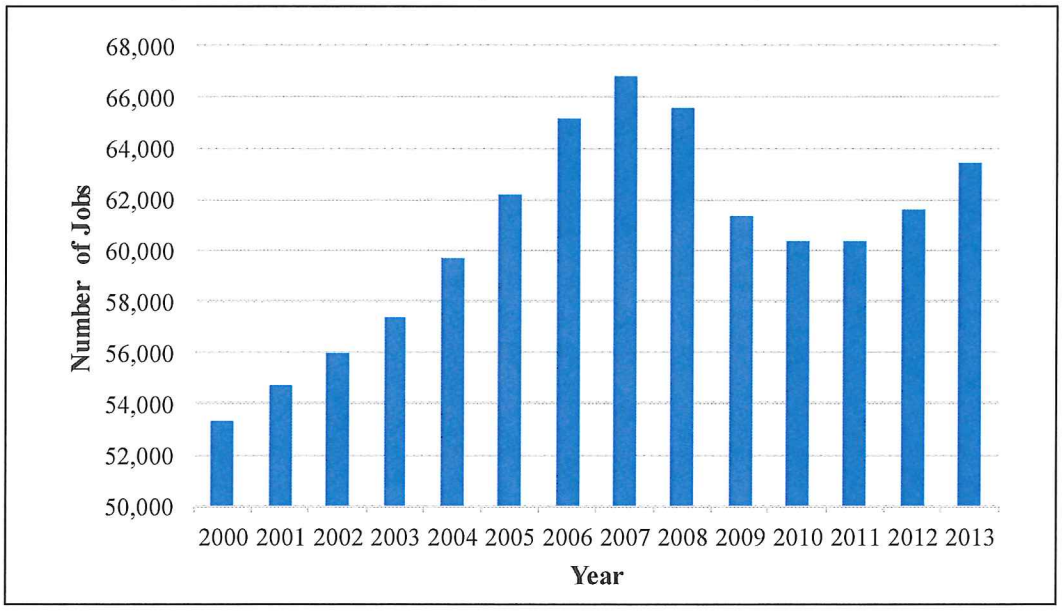
Figure 3. Wage and Salary Jobs, 2013, by County



Source: State of Hawaii, Department of Labor and Industrial Relations.
Prepared by: Munekiyo Hiraga, 2014.

Historically, employment in Hawaii County has followed statewide economic trends. **Figure 4** illustrates the number of non-agricultural wage and salary jobs in Hawaii County between 2000 and 2013. Employment in the County increased during the 2000s, peaking in 2007 at 66,800 jobs. Like the rest of the State, the County experienced job losses in subsequent years during the Great Recession. Employment levels have still not reached pre-recession levels, standing at 63,400 jobs in 2013.

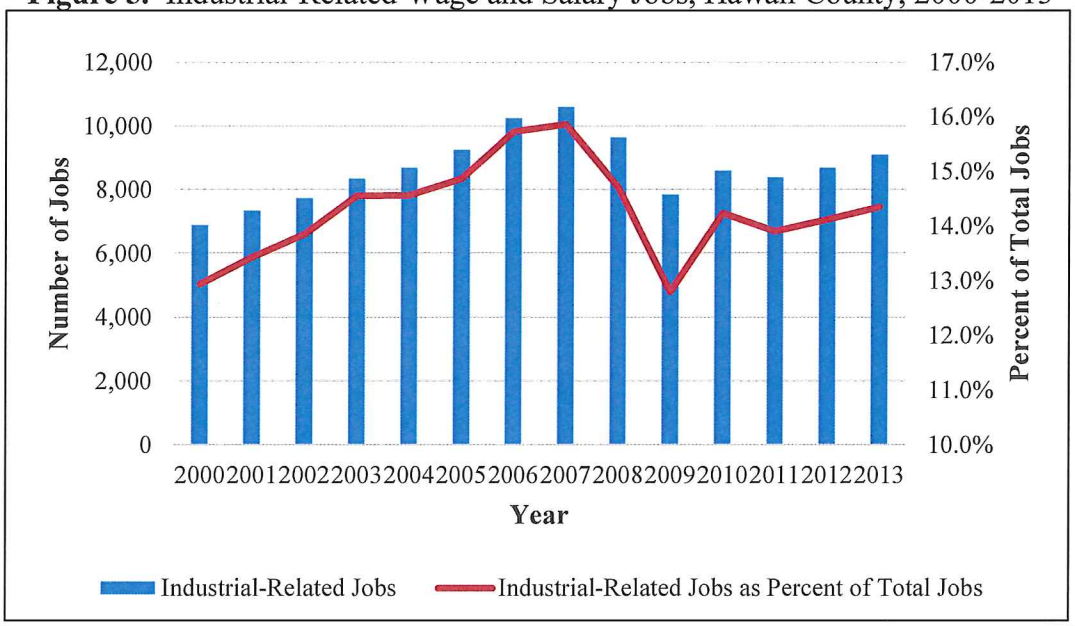
Figure 4. Wage and Salary Jobs, Hawaii County, 2000-2013



Source: State of Hawaii, Department of Labor and Industrial Relations.
Prepared by: Munekiyo Hiraga, 2014.

Industrial-related employment has comprised, on average, 14 percent of total wage and salary jobs in Hawaii County between 2000 and 2013, but this figure has fluctuated over time. For the purposes of this analysis, industrial-related jobs include those in the following industry sectors: Natural Resources and Mining and Construction, Manufacturing, Wholesale Trade, and Transportation, Warehousing and Utilities. **Figure 5** presents the number of industrial-related wage and salary jobs in the County and its share of total countywide employment between 2000 and 2013. During pre-recession years, the share of industrial-related jobs increased, peaking at 16 percent in 2007. These industry sectors, however, experienced job losses during the recession. In 2009 industrial-related jobs represented just 13 percent of countywide employment. Much of the job loss occurred in the Natural Resources and Mining and Construction industry sector, which lost 2,000 jobs between 2007 and 2009. Industrial-related sectors have since began to regain jobs and in 2013, there were 9,100 jobs in these sectors, representing 14 percent of total employment on the island.

Figure 5. Industrial-Related Wage and Salary Jobs, Hawaii County, 2000-2013



Note: Industrial-Related jobs include those in the following industry sectors: Natural Resources and Mining and Construction; Manufacturing; Wholesale Trade; and Transportation, Warehousing and Utilities.

Source: State of Hawaii, Department of Labor and Industrial Relations.
Prepared by: Munekiyo Hiraga, 2014.

Table 4 provides a breakdown of employment by sector for the State and County in 2013. In general, the distribution of jobs by sector is comparable for the State and County. The three (3) largest employment sectors for both the State and County in 2013 were Trade, Transportation and Utilities, Leisure and Hospitality, and Government. Jobs in industrial-related sectors comprised 14.8 percent of statewide jobs and 14.4 percent of jobs in Hawaii County. Among the sectors identified as being industrial-related, the Natural Resources and Mining and Construction sector was the largest in both the State and County.

Table 4. Job Count by Industry, State of Hawaii and Hawaii County, 2013

	State		Hawaii County	
	No.	% of Total	No.	% of Total
TOTAL NONAGRICULTURAL WAGE & SALARY JOBS	**617,600**		**63,400**	
Goods-Producing	**44,300**	**7.2%**	**4,800**	**7.6%**
Natural Resources & Mining & Construction	*30,800*	*5.0%*	*3,500*	*5.5%*
Manufacturing	*13,500*	*2.2%*	*1,300*	*2.1%*
Service-Providing	**573,300**	**92.8%**	**58,600**	**92.4%**
Trade, Transportation & Utilities	117,000	18.9%	13,300	21.0%
Wholesale Trade	*17,800*	*2.9%*	*1,500*	*2.4%*
Retail Trade	69,800	11.3%	9,000	14.2%
Transportation, Warehousing & Utilities	*29,500*	*4.8%*	*2,800*	*4.4%*
Information	8,500	1.4%	600	0.9%
Financial Activities	27,100	4.4%	2,700	4.3%
Professional & Business Services	79,400	12.9%	6,100	9.6%
Education & Health Services	79,000	12.8%	8,100	12.8%
Leisure and Hospitality	110,800	17.9%	13,000	20.5%
Other Services	26,700	4.3%	2,100	3.3%
Government	124,800	20.2%	12,700	20.0%
Industrial-Related Jobs [(a)]	***91,600***	***14.8%***	***9,100***	***14.4%***

Note:
[(a)] Industrial-Related Jobs include those in Natural Resources and Mining and Construction; Manufacturing; Wholesale Trade; and Transportation, Warehousing and Utilities.

Source: State Department of Labor and Industrial Relations.
Prepared by: Munekiyo Hiraga, 2014.

D. UNEMPLOYMENT

The unemployment rate for the County of Hawaii stood at 5.4 percent in September 2014, an improvement from one (1) year earlier when 6.7 percent of the labor force was unemployed. Hawaii County's unemployment is the highest in the State. Overall, statewide unemployment was 4.3 percent in September 2014. Oahu experienced the lowest unemployment rate at 4.0 percent, while Maui and Kauai counties had unemployment of 4.3 percent and 4.8 percent, respectively. See **Table 5**.

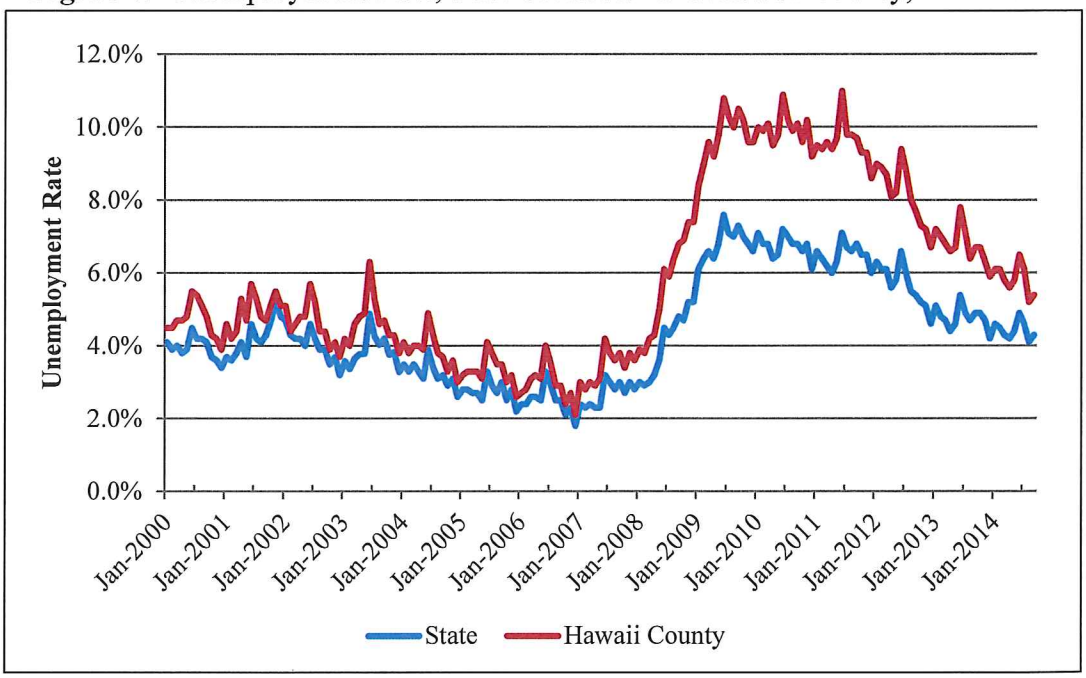
Table 5. Unemployment Rate by County, September 2013 and September 2014

	September 2013	September 2014
State	4.9%	4.3%
Oahu	4.5%	4.0%
Hawaii	6.7%	5.4%
Kauai	5.7%	4.8%
Maui	5.3%	4.3%

Source: State Department of Labor and Industrial
Prepared by: Munekiyo Hiraga, 2014.

Unemployment in Hawaii County has historically been higher than the State as a whole, but the differential between the County and State increased substantially beginning in 2009, with the recession taking a greater toll on the Big Island labor force. As shown in **Figure 6**, the unemployment rate in Hawaii County reached 10.8 percent in June 2009, over 3 percentage points higher than statewide unemployment for the same time, which was 7.6 percent. Unemployment hit 11.0 percent in June 2011, at a time when statewide unemployment was 7.1 percent. Since that time, unemployment in both the County and State has declined, as has the differential between the two (2).

Figure 6. Unemployment Rate, State of Hawaii and Hawaii County, 2000-2014



Source: State Department of Labor and Industrial Relations.
Prepared by: Munekiyo Hiraga, 2014.

III. INDUSTRIAL MARKET OVERVIEW

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A. COMMERCIAL AND INDUSTRIAL MARKET CONDITIONS

Non-residential commercial real estate often falls into three (3) major categories: office, industrial, and retail. Office buildings can range from large multi-tenant buildings to small single-tenant spaces. Likewise the retail sector is diverse and includes smaller neighborhood shopping centers, regional malls, strip centers, and outlet centers, among others. Industrial real estate is a broad category and can encompass many different types of buildings. Common industrial uses include warehouse and distribution buildings, manufacturing buildings, flex space, research and development (R&D) buildings, and showroom buildings.

Commercial leases can be structured in a variety of ways depending on what expenses the landlord and tenant will pay. Triple net leases (NNN) are a common type of lease for commercial freestanding buildings and retail space. In NNN leases, the tenant pays property tax, insurance, and common area maintenance (CAM). In comparison, gross leases, also known as full service leases, have all-inclusive rent. The landlord pays expenses such as taxes, insurance, maintenance, utilities, and janitorial services. Gross leases are often used in office properties and warehouse space.

Table 6 presents a comparison of average asking rents (per square foot per month) for office, retail, and industrial properties in Hawaii. Although current zoning for Department of Land and Natural Resources (DLNR) lands at Kanoelehua are primarily limited to industrial zoning districts which limit opportunities for office and retail development, this information provides a general overview of the relative rental rates across the three (3) categories.

Table 6. Commercial Lease Rates (Per Square Foot Per Month), State of Hawaii, Q2 2014

	Industrial (NNN)	Industrial (Gross)	Retail (NNN)	Office (Gross)
Oahu	$0.99	$1.41	$6.51	$2.95
Maui	$1.11	$1.42	$3.18	N/A
Big Island	$0.84	$1.11	$3.42	N/A
Kauai	$0.96	$1.27	$3.32	N/A
State	**$0.99**	**$1.35**	**$5.21**	**N/A**

Source: CBRE Hawaii Research, Q2 2014.
Prepared by: Munekiyo Hiraga, 2014.

As shown in **Table 6**, industrial lease rates are the lowest among the three (3) main commercial real estate classes. Retail rates are at least three (3) times higher than rates for industrial space throughout the State. In Hawaii County, retail rates of $3.42 (NNN) per square foot per month are four (4) times higher than the industrial rate of $0.84 (NNN) per square foot per month. Office lease rates are only available for Oahu but provide an understanding of rates relative to industrial space. On Oahu, office rents are higher than industrial rates but lower than that for retail space.

Hawaii's industrial market has strengthened in 2014 with decreasing space availability and increasing base rents and absorption. CBRE reports that the availability rate statewide was 2.3 percent in the second quarter (Q2) of 2014. See **Table 7**. Statewide, industrial activity remained strong with availability decreasing on all islands in Q2 2014. The limited availability has increased competition and is expected to push rents higher in the near term (CBRE, 2014).

Table 7. Industrial Market Statistics, State of Hawaii, Q2 2014

	Net Rentable Area (Sq. Ft.)	Available Area (Sq. Ft.)	Availability Rate (%)	Net Absorption		Net Asking Rent	Gross Asking Rent
				2014Q2	YTD 2014		
Oahu	34,097,718	972,422	2.9%	(73,457)	145,032	$0.99	$1.41
Maui	10,723,580	138,508	1.3%	7,909	59,575	$1.11	$1.42
Big Island	9,079,769	149,092	1.6%	17,167	16,547	$0.84	$1.11
Kauai	1,852,587	32,192	1.7%	(11,864)	(5,769)	$0.96	$1.27
State	**55,753,654**	**1,292,214**	**2.3%**	**(60,245)**	**215,385**	**$0.99**	**$1.35**

Source: CBRE Hawaii Research, Q2 2014.
Prepared by: Munekiyo Hiraga, 2014.

In Hawaii County, there is approximately 9.1 million square feet of net rentable industrial space, accounting for approximately 16 percent of all industrial space in the State. In the second quarter of 2014, 1.6 percent or 149,092 square feet, was available for rent. Hawaii County's availability rate was lower than the State's as a whole. Gross asking rent for properties on the Big Island was the lowest in the state at $0.84 per square foot per month net, or $1.11 per square foot per month gross. Refer to **Table 7**.

B. INDUSTRIAL LANDS IN HAWAII COUNTY

Industrial land within Hawaii County is concentrated in the Hilo and North Kona areas. There are 6,213 acres of industrial zoned lands on the island, including those that are designated as General Industrial (MG), Limited Industrial (ML), and Industrial/Commercial Mixed (MCX). **Figure 7** illustrates the location of industrial zoned lands in Hawaii County while **Table 8** provides a distribution of industrial lands by area. As shown, the 2,167 acres of industrial lands in Hilo represent 35 percent of all industrial

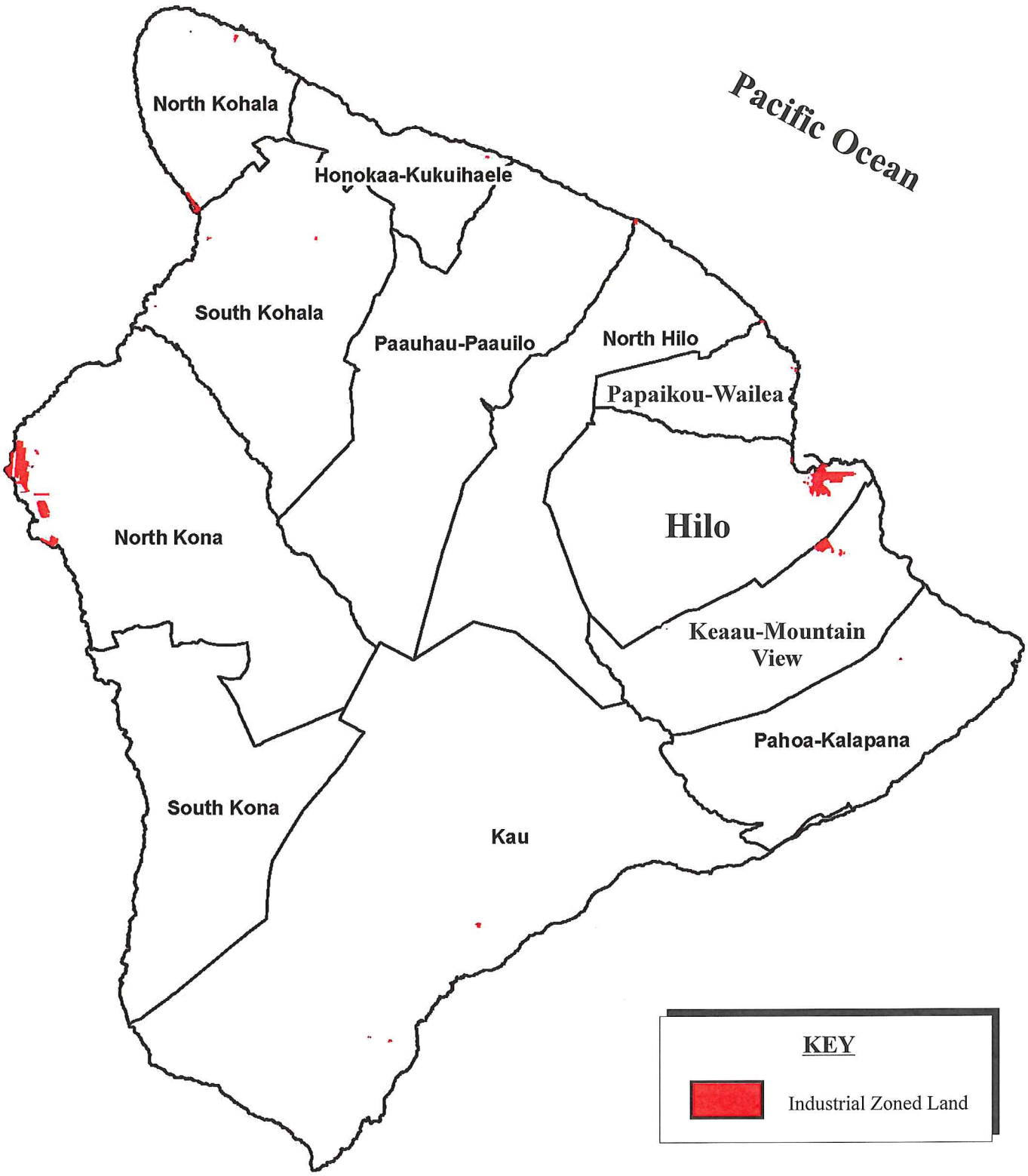
zoned land in the County. Only North Kona has more industrial zoned land, with 2,979 acres, or 48 percent, of the island total.

Table 8. Industrial Zoned Lands in Hawaii County

	Acres	Percent of Total
North Kona	2,979	48%
Hilo	2,167	35%
Keaau-Mountain View	555	9%
North Kohala	170	3%
South Kohala	167	3%
Kau	55	1%
North Hilo	50	1%
Papaikou-Wailea	49	1%
Honokaa-Kukuihaele	14	0%
Pahoa-Kalapana	8	0%
Total	**6,213**	**100%**
Note:Includes General Industrial (MG), Limited Industrial (ML), and Industrial/Commercial Mixed (MCX).		

Source: County of Hawaii, Department of Planning.
Prepared by: Munekiyo Hiraga, 2014.

A review of industrial properties for lease was conducted in June 2014 based on listings available on LoopNet, a commercial real estate listing service. Industrial properties available for lease in Hawaii County are presented in **Table 9** below. As shown, the majority of listings are located in Hilo or Kona. There were seven (7) listings for a total of 43,548 square feet in Hilo and 13 listings for 116,779 square feet of space in Kona. On average, asking rents in Hilo were comparable to, but slightly lower than, rents in Kona. The weighted average of rents in Hilo was $11.91 per square foot per year ($0.99 per month), compared to $12.53 per square foot per year ($1.04 per month) in Kona. Hilo, asking rates varied from $7.20 per square foot per year to $30.00 per square foot per year.



Source: County of Hawaii, Department of Planning

Figure 7 Kanoelehua Industrial Area Market Study

Industrial Zoned Land

0 30,684 Feet
15,342 61,368

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\Industrial Zone Land

Table 9. Industrial Properties for Lease, County of Hawaii, June 2014

Listing	Address	City	Size (sq. ft.)	Rent ($/Sq. Ft./Year)			Property Type	Zoning	Lease Type
HILO									
60 Kuhio Industrial Park	60 Kuhio	Hilo	22,030	$7.20			Warehouse	--	NNN
60 Kuhio Industrial Park	60 Kuhio	Hilo	4,500	$9.00			Warehouse	--	NNN
Kuhio Industrial Park	60 Kuhio	Hilo	1,565	$18.00			Warehouse (Proposed)	--	NNN
182 Holomua Street	182 Holomua Street	Hilo	4,200	$12.00			Warehouse	--	NNN
221 Makaala Street	221 Makaala Street	Hilo	2,800	$12.00			Office Showroom	--	--
Waiakea Square Warehouse	200 Kanoelehua Avenue	Hilo	3,077	$15.00			Flex	--	NNN
Puainako Center	2100 Kanoelehua Avenue	Hilo	5,376	$30.00			Flex	--	--
Total Square Feet / Weighted Average Rent			**43,548**	**$11.91**					
KAILUA KONA									
Alapa Square	7405587 Alapa Street	Kailua Kona	3,605	$12.00			Flex	--	NNN
APB Kona One Building	73-4273 Hulikoa Drive	Kailua Kona	4,554	$12.00			Flex	ML-1a	NNN
APB Kona Two Building	73-4080 Hulikoa Street	Kailua Kona	16,752	$12.00	-	$15.00	Flex	--	--
Cal Cam Centre I	73-5576 Kauhola Street	Kailua Kona	14,422	$9.00	-	$10.80	Flex	--	NNN
Cal Cam Centre I (Units 1-3)	73-5576 Kauhola Street	Kailua Kona	3,580	$15.60			Office Showroom	--	NNN
Cosco Building	73-5574 Olowalu Street	Kailua Kona	1,450	$12.00			Flex	ML-1a	--
Gold Coast Business Center III	74-5543 Kaiwi Street	Kailua Kona	20,422	Negotiable			Flex	--	NNN
Hansen Building	73-4164 Hulikoa Drive	Kailua Kona	8,803	$15.00	-	$27.00	Flex	ML-1a	NNN
Kaahumanu Plaza	74-5467 Kaiwi Street	Kailua Kona	9,151	$17.40			Flex	--	NNN
Kanalani Plaza	73-4855 Kanalani Street	Kailua Kona	4,780	$10.20			Flex	ML-1a	NNN
Kona Trade Center	74-5552 Kaiwi Street	Kailua Kona	5,142	$9.00			Warehouse	ML-1a	NNN
Kona Trade Center	73-4820 Kanalani Street	Kailua Kona	19,508	$10.20			Warehouse	--	--
Luhia 9 Gallery	74-5598 Luhia Street	Kailua Kona	4,610	$4.20	-	$8.40	Flex	--	--
Total Square Feet / Weighted Average Rent			**116,779**	**$12.53**					
KEAAU									
W.H. Shipman Business Park	16-189 Mikahala Place	Keaau	2,250	$10.20			Warehouse	--	--

Source: Loopnet, June 2014.
Prepared by: Munekiyo Hiraga, 2014.

The market information presented thus far for industrial properties have been for leases of industrial buildings. DLNR's leases at Kanoelehua Industrial Area (KIA), on the other hand, are for the land only. The improvements built on the land are the responsibility of the tenant. As such, the lease rates DLNR has at its KIA properties cannot be compared to the lease rates presented in **Table 7** and **Table 9**, which are for industrial buildings and the underlying land. Lease rates for industrial lands are presented in **Table 10** below. Due to the limited number of listings for industrial land leases, data for the entire State is presented. As shown, lease rates for industrial land vary significantly. Rates for the Honolulu urban core are substantially higher than rates on the neighbor islands or elsewhere on Oahu. Neighbor island rates range from approximately $36,000 per acre per year to over $180,000 per acre per year. Rates in Pearl City and Kapolei, the more suburban areas of Oahu, range from approximately $73,200 to $94,100 per acre per year. As will be discussed later, DLNR's current ground lease rates for its KIA properties are generally lower than the market rates advertised for neighbor islands and suburban areas of Oahu. The average lease rate for DLNR's KIA properties is $42,492 per acre pre year.

Table 10. Industrial Land for Lease, State of Hawaii, June 2014

Address	Region	Description	Space Available	$/SF/Year	$/Acre/Year
MAUI					
591 Haleakala Highway	Kahului	Up to 136,851 square feet of vacant land across from Costco gas. Power and water available.	9,000-136,851 sq. ft.	$3.00	$130,680
Cannery Business Park	Kahului	Vacant undeveloped Heavy Industrial Zoned Land in Central Maui. Owner is looking for a build to suit tenant or long term ground lease.	1.84 acres	$1.20	$52,272
40 Hobron Avenue	Kahului	Unpaved yard space. CAM charges are $0.02 per square foot.	31,840 sq. ft.	$2.40	$104,544
Lahaina Business Park	Lahaina	Lots 6 and 7 Phase II are fully fenced and graveled. Water and temp power to site. Great visibility from the new bypass.	0.15 -0.41 acres	$2.66-$2.77	$115,908.80-$120,626.35
KAUAI					
Kapaa Industrial Park	Kailua	Kapaa Industrial Park is one of the premier I -1 zoned master planned industrial parks in the state of Hawaii	0.23-12 acres	$3.58 - $4.20	$156,001- $182,952
BIG ISLAND					
Lawehana Street Lot	Kailua Kona	Approximately 2 acres of vacant land zoned ML-1a in close proximity to Costco in the New Industrial District. Small CAM charge will apply	2 acres	$0.83	$35,998
OAHU					
91-175 Olai Street	Kapolei	We are pleased to present an outstanding opportunity to lease a 47,916 square feet parcel in James Campbell Industrial Park.	47,916 sq. ft.	$2.16	$94,090
91-150 Hanua Street	Kapolei	The property consists of 2 parcels located at 91-150 Hanua Street in James Campbell Industrial Park	87,120-309,058 sq. ft.	$2.04	$88,862
91-115 Kaomi Loop	Kapolei	The property consists of 14.355 acres with existing improvements. The former cement plant previously utilized by Hawaiian Cement is demolished and it will have a level topography.	14.35 acres	$1.80	$78,408
91-008 Hanua Street	Kapolei	LANDLORD WILL CONSIDER BUILD-TO-SUIT. The parcel is approximately 8.1 acres of I-2 intensive industrial land	8.1 acres	$1.92	$83,635
Vinson Yards	Kapolei	Available yard spaces for lease. Located just off of Roosevelt Ave., these yards are graded with solid natural service for easy mobility	0.57-7.00 acres	$2.16	$94,090
91-174 Olai Street	Kapolei	Recently cleared, this 1.33 acre parcel in James Campbell Industrial Park is available to lease	46,051 sq. ft.	$2.16	$94,090
James Campbell Industrial Park	Kapolei	Large gated and secured yard located in JCIP. The property has paved driveway on Komohana Street and access to electric and water meter.	1.72 acres	$2.16	$94,090
91-259 Olai Street	Kapolei	Yard space available on Olai Street in James Campbell Industrial Park.	1 acre	$2.16	$94,090
Pearl City Industrial Park	Pearl City	Located in Pearl City Industrial Park; one of the largest available industrial use lots with close proximity to Honolulu	5.77 acres	$1.68	$73,181
94-1042 Ka Uka Blvd	Waipahu	Fenced and graveled yard area. Can be leased in smaller increments. Entries on Ka Uka Blvd. and Ukee St.	10,000 - 35,000 sq. ft.	$4.20	$182,952
94-121 Leokane St	Waipahu	Fenced and paved lot with private driveway access. Electricity and	0.46 acres	$2.76	$120,226
	Wahiawa	This property consists of approximately 20,000sf of paved, fenced yard area	20,000 sq. ft.	$2.40	$104,544
1150 Mikole Street	Honolulu	Sand Island --- Rarely available this 20,601 paved and fenced yard. Zoning 1-2.	20,601 sq. ft.	$6.60	$287,496
Bougainville Industrial Park	Honolulu	Nice level paved lot located directly across the street from Target in Bougainville. Electricity and water is available at the property.	42,968 sq. ft.	$6.00	$261,360
Kakaako Makai	Honolulu	Parcel "I" and Parcel "A" available for lease.	5,000- 58,000 sq. ft.	$6 - $7.80	$261,360-$339,768

Source: Loopnet, June 2014.

Prepared by: Munekiyo Hiraga, 2014.

C. INDUSTRIAL PARKS IN EAST HAWAII

In addition to the KIA, there are two (2) additional industrial business parks in East Hawaii: W.H. Shipman Business Park (SBP) in nearby Keaau town and Kuhio Industrial Park (KIP) in Keaukaha. See **Figure 8**. From a locational standpoint, KIA and KIP benefit from the downtown Hilo location and its proximity to businesses, the airport, and Hilo Harbor. However, both the KIA and KIP are much older areas than the SBP. In this regard, the majority of existing structures in the KIA and KIP are showing signs of aging and are falling into disrepair. Similarly, the infrastructure, particularly roadways, are also showing signs of disrepair.

The lot sizes at KIA as well as at KIP are quite small, and their location within the developed area of Hilo leaves little room for expansion. Discussions with local brokers suggest that the small lot sizes are a disadvantage for KIA, particularly in terms of attracting new businesses. Many of the original tenants within KIA were smaller, mom-and-pop businesses. However, as those businesses transition, new and larger companies are coming in and often seeking larger lots. While Hilo's location is ideal, the small lot sizes are limiting, particularly in terms of provision of ample yard space. Industrial users need yard space for maneuvering of large vehicles and storing equipment and containers. Brokers report that there is demand for industrial space, but it is challenging to find spaces that meet the needs of clients within Hilo.[1]

The SBP which was developed much more recently, features newer structures that are in better condition than those in KIA and KIP. The infrastructure currently in place is also in good condition. The business park features large, spacious lots, many of which are currently vacant. In addition, the SBP's location outside of the rural town of Keaau affords it surrounding vacant lands with the potential for expansion, should the demand arise. SBP is also in an area which experienced significant population growth, particularly compared to Hilo. Recall that the Keaau-Mountain View area saw its population increase by 50 percent between 2000 and 2010. This population growth serves as a competitive advantage for SBP as it provides opportunities for residents in the area to work closer to home rather than driving to Hilo, which is approximately 30 minutes away by car. While SBP is located in close proximity to a growing population base, it is further away from the major business

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1 It is noted that Munekiyo Hiraga has separately prepared a Lot Consolidation Analysis Report for DLNR's KIA properties. This report assesses opportunities to consolidate smaller parcels into larger parcels to allow for more efficient land use and development and potentially create more desirable parcels for tenants.

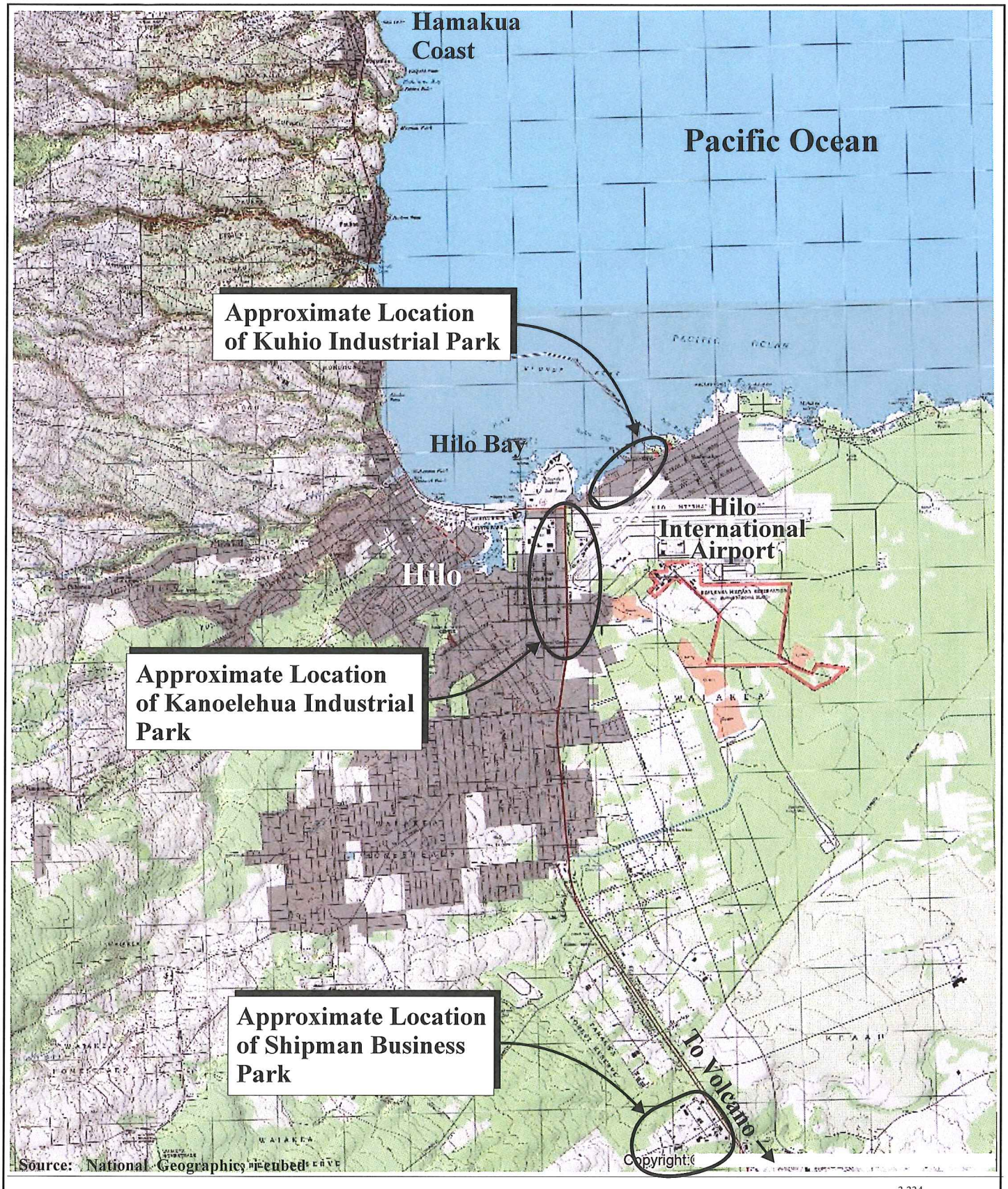


Figure 8 Kanoelehua Industrial Area Market Study

East Hawaii Industrial Parks

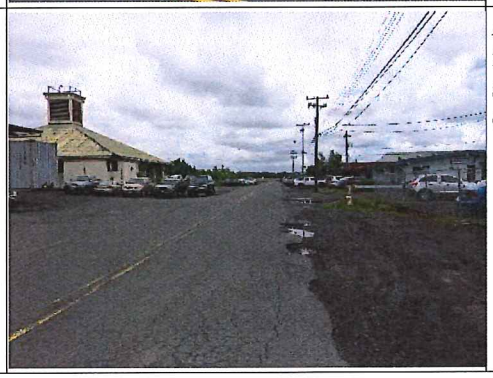
0 3,334 Feet
1,667 6,667

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

center of Hilo. Brokers report that while SBP provides larger lot sizes that tenants are seeking, some tenants are reluctant to locate at SBP due to the distance from Hilo, the harbor, and airport. In addition, although SBP's infrastructure and roadways are newer and in better condition, it is noted that the park is currently accessed via the unsignalized intersection of Kipimana Street and Mamalahoa Highway. Mamalahoa Highway is a major four-lane, divided State highway and left-turn movements out of SBP heading north towards Hilo can be challenging, particularly for large trucks. See **Table 11** for summary of comparison of business parks in East Hawaii. Additional photos of the three (3) industrial parks in East Hawaii are presented in **Appendix "C"**.

Table 11. Industrial Parks in East Hawaii

Industrial Park	Photo	Description	Median Lot Size
Kanoelehua Industrial Area, Hilo		Aging buildings, poor infrastructure, smaller lot sizes, little room for expansion. Majority of parcels owned by DLNR or DHHL.	0.47 acre
Kuhio Industrial Park, Hilo		Aging buildings, poor infrastructure, smaller lot sizes, little room for expansion.	0.45 acre

Industrial Park	Photo	Description	Median Lot Size
W.H. Shipman Business Park, Keaau		Newer buildings, larger, undeveloped lots and surrounding lands.	1.0 acre

One factor contributing to the condition of structures on DLNR-leased lands in KIA is the upcoming expiration of the leases. As will be discussed further, repairs and maintenance to the improvements on the properties are the responsibility of the tenants. Further, the lease provisions stipulate that upon lease expiration, the land together with all buildings and improvements must be turned over to DLNR. With leases set to expire in the near future, current tenants have little incentive to invest in improvements to the property without certainty of a lease extension. As such, it is not anticipated that there will be substantial improvements to conditions of buildings on DLNR properties within KIA in the near future.

D. KANOELEHUA INDUSTRIAL AREA SUMMARY OF LEASES

The DLNR has 70 leases in the KIA encompassing 79 TMK parcels. As previously noted, DLNR's leases at KIA are for the land. Lessees, at their own expense, are responsible for repairing and maintaining the improvements on the properties. Upon the expiration or termination of the lease, the lessee must surrender the property together with all buildings and improvements and said improvements will belong to the lessor, DLNR.

The DLNR leases cover 58.8 acres and generate $2.1 million in annual lease revenue for the DLNR. See **Table 12** for a summary of the lease characteristics at the KIA. Leased area within the KIA range from 0.22 acre to nearly 5 acres and average approximately 0.84 acre. The lease rates range from $8,280 per acre per year to $80,000 per acre per year, with an average rate of approximately $42,284. Lease rates at KIA are generally lower than the market rates advertised for neighbor islands and suburban areas of Oahu. Refer to **Table 10**. In general, the lease provisions governing the KIA properties state that the annual rent amount be reopened and redetermined every 10 years. The rental rate shall be

the preceding rental rate or the fair market value, as determined by an appraiser, whichever is higher. Because rental rates are adjusted every 10 years, the lease rates can trail market trends, particularly towards the end of lease terms or the 10 year increments.

Table 12. Summary of Kanoelehua Industrial Area Leases

DLNR Leases at Kanoelehua Industrial Area				
Number of Leases	70			
Number of Parcels	79			
Total Land Area (acres)	58.8			
Total Annual Lease Revenue	$2,125,989			
Lease and Property Characteristics				
	Minimum	**Maximum**	**Average**	**Median**
Lease Area (acres)	0.22	4.82	0.84	0.47
Lease Rate ($/acre/year)	$8,280	$80,000	$42,284	$43,594
Year Structure Built	1929	2005	1968	1965.5
Building Size (sq. ft.)	1,632	50,194	10,248	7,500
I/L Ratio	0.12	6.91	1.10	0.96

Source: Department of Land and Natural Resources.
Prepared by: Munekiyo Hiraga, 2014.

The structures within the KIA are older, many of which were built in the 1960s when the leases were originated. The average year structures were built on KIA leased lands is 1968. Buildings range in size from 1,632 square feet to over 50,000 square feet and average 10,248 square feet.

An indication of the building condition and age within the KIA is the improvement to land value ratio, or I/L ratio. This ratio compares the assessed value of the improvements on a parcel to the assessed value of the land. An I/L ratio less than 1.0 indicates that the land is more valuable than the improvements built on it. The I/L ratio for KIA parcels varies widely from 0.12 to 6.91, with an average of 1.10. The average I/L ratio of 1.10 means that the value of improvements on KIA parcels is 1.10 times the value of the underlying land. In many cases, analysts identify parcels with an I/L ratio of less than 1.0 as potential opportunities for redevelopment because the underlying land is more valuable than the improvements. As noted earlier, the leasehold nature of the KIA properties and the pending expiration of leases in the area has created a disincentive for lessees to invest in improvements, contributing to the deteriorating condition of some of the properties.

IV. MARKET DEMAND FORECAST

IV. MARKET DEMAND FORECAST

This section analyzes future demand for industrial space in Hawaii County and the Hilo area in particular. Demand for industrial space is based on employment projections and assumptions of industrial square feet needed per employee. Demand for general commercial space is also assessed.

A. EMPLOYMENT PROJECTIONS

The State of Hawaii, Department of Business, Economic Development, and Tourism (DBEDT) provides employment projections for the State and counties through 2040. The State is projected to add 104,530 jobs between 2015 and 2040, for a total of 753,540 jobs.[2] Hawaii County is expected to add more jobs than any of the neighbor islands. In Hawaii County, total civilian wage and salary jobs are projected to grow from 70,990 jobs in 2015 to 93,090 jobs in 2040, an increase of 22,100 or 24 percent. During this timeframe, Hawaii County is expected to overtake Maui County as the county with the second largest number of jobs in the State after Oahu. In general, job growth in neighbor island counties is expected to outpace growth on Oahu, increasing the neighbor islands' share of statewide jobs from 27 percent in 2015 to 29 percent in 2040. See **Table 13**.

Table 13. Job Projections (Civilian Wage and Salary Jobs) by County, 2015-2040

	2015	2020	2025	2030	2035	2040	Increase in Jobs 2015-2040	% Change 2015-2040
State of Hawaii	649,210	673,780	695,410	716,250	735,450	753,740	104,530	16.1%
Oahu	474,230	489,040	501,690	513,580	524,250	534,120	59,890	12.6%
Maui County	73,230	77,140	80,670	84,170	87,470	90,700	17,470	23.9%
Big Island	70,990	75,660	80,070	84,520	88,810	93,090	22,100	31.1%
Kauai	30,760	31,940	32,980	33,980	34,920	35,820	5,060	16.4%

Source: Department of Business, Economic Development, and Tourism.
Prepared by: Munekiyo Hiraga, 2014.

2 DBEDT's projections for 2040 were prepared in 2012 based on data from the 2010 Decennial Census and the 2007 Economic Census. It is noted that projections for 2015 appear substantially higher than actual employment data reported for 2014 and presented in **Figure 3**. Nevertheless, DBEDT's long-range forecast provides the best estimates for future employment growth in the state and counties. As projections for 2015 appear high compared to 2014 employment levels, it may be the case that these projected levels may be realized several years later than originally projected. For the purposes of this analysis, DBEDT's original projections will be reported.

Projected job growth varies in Hawaii County varies by industry. **Table 14** presents employment projections by industry for 2015 to 2040, while **Appendix "D"** presents annual job growth rates by industry for the same time period. The health services industry and business services industry are anticipated to see the greatest growth in employment, both in terms of total number of jobs and percentage. An additional 7,130 health services jobs are expected to be created in the County between 2015 and 2040, while another 3,180 business services jobs are projected to be added during the same time frame.

Table 14. Job Projections (Civilian Wage and Salary Jobs), County of Hawaii, 2015-2040

	2015	2020	2030	2040	Increase/ (Decrease) 2015-2040	% Change 2015-2040
Total civilian wage and salary jobs	70,990	75,660	84,520	93,090	22,100	31.1%
Agriculture	2,620	2,620	2,600	2,580	-40	-1.5%
Mining and construction	**3,550**	**3,730**	**3,980**	**4,200**	**650**	**18.3%**
Food processing	**700**	**710**	**740**	**750**	**50**	**7.1%**
Other manufacturing	**540**	**530**	**520**	**500**	**-40**	**-7.4%**
Transportation	**2,360**	**2,450**	**2,570**	**2,670**	**310**	**13.1%**
Information	780	850	950	1,040	260	33.3%
Utilities	**570**	**610**	**690**	**750**	**180**	**31.6%**
Wholesale trade	**1,690**	**1,750**	**1,860**	**1,950**	**260**	**15.4%**
Retail trade	9,280	9,520	9,820	9,960	680	7.3%
Finance and insurance	1,180	1,210	1,250	1,250	70	5.9%
Real estate and rentals	1,690	1,680	1,640	1,590	-100	-5.9%
Professional services	1,540	1,680	1,910	2,110	570	37.0%
Business services	3,930	4,530	5,780	7,110	3,180	80.9%
Educational services	1,600	1,820	2,290	2,770	1,170	73.1%
Health services	8,020	9,320	12,150	15,150	7,130	88.9%
Arts and entertainment	1,710	1,760	1,800	1,810	100	5.8%
Hotels	5,970	6,250	6,630	7,040	1,070	17.9%
Eating and drinking	5,860	6,330	7,160	7,950	2,090	35.7%
Other services	2,470	2,540	2,610	2,620	150	6.1%
Government	14,940	15,790	17,570	19,290	4,350	29.1%

Source: Department of Business, Economic Development, and Tourism.
Prepared by: Munekiyo Hiraga, 2014.

For the purposes of projecting future demand for industrial space, this analysis focuses on those industries that are most likely to utilize industrial and warehouse space. These industries include mining and construction, food processing, other manufacturing, transportation, utilities, and wholesale trade. As shown in **Table 15**, these six (6) industries are projected to have 9,410 jobs in 2015. An additional 1,410 jobs in these industrial-related industries are expected to be created by 2040 in Hawaii County.

Table 15. Projected Industrial-Related Jobs, County of Hawaii, 2015-2014

	2015	2040	Increase/ (Decrease) 2015-2040	% Change 2015-2040
Mining and construction	3,550	4,200	650	18.3%
Food processing	700	750	50	7.1%
Other manufacturing	540	500	-40	-7.4%
Transportation	2,360	2,670	310	13.1%
Utilities	570	750	180	31.6%
Wholesale trade	1,690	1,950	260	15.4%
Total	**9,410**	**10,820**	**1,410**	**15.0%**

Source: Department of Business, Economic Development, and Tourism.
Prepared by: Munekiyo Hiraga, 2014.

Growth in industrial-related industries is projected to be more modest than job growth in other sectors, such as health services, government, business services, educational services, hotels, or eating and drinking establishments. Refer to **Table 14**.

B. INDUSTRIAL LAND DEMAND

Despite more modest employment growth projected for industrial-related sectors compared to other sectors of the economy, the anticipated job growth is indicative of continued demand for industrial space in the County. Job growth in industrial sectors is translated to demand for industrial space utilizing benchmark assumptions of employee density, or the average square feet required per employee. For the purposes of this analysis, it is assumed that industrial employees in Hawaii County require approximately 1,000 square feet of industrial space per person.[3] In comparison, standard employee density assumptions for office workers can range from approximately 200 square feet to 400 square feet per person depending on the type of office environment.

Based on the aforementioned assumption of employee density for industrial workers, the projected increase in industrial-related employment of 1,410 jobs between 2015 and 2040 would translate to a need for approximately 1.4 million square feet of industrial space in Hawaii County. See **Table 16**. Assuming a 25 percent lot coverage ratio for industrial lands, the estimated demand for 1.4 million square feet would equate to approximately 129 acres of industrial land.

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3 The employee density assumption of 1,000 square feet of industrial space per employee is based on studies conducted in Snohomish County, Washington, and Southern California.

Table 16. Demand for Industrial Space, Hawaii County, 2015-2040

		Assumptions
Increase in Industrial Jobs, 2015-2040	1,410	
Demand for Industrial Space		
Building (Sq. Ft.)	1,410,000	1 Emloyee/1,000 Sq. ft.[(a)]
Land (Acres)	129	25% Lot Coverage[(b)]

Notes:
[(a)] Snohomish County 2007 Buildable Lands Report Employment Density Study and Southern California Association of Governments Employment Density Report,
[(b)] Assumption of lot coverage based on average building and lot size in Kanoelehua Industrial Area.

Source: Department of Business, Economic Development, and Tourism.
Prepared by: Munekiyo Hiraga, 2014.

The projected growth in industrial-related employment represents growth across the County. The DBEDT does not provide a breakdown of the employment projections for East and West Hawaii or by region within the County. As such, to understand future demand for industrial space in Hilo in particular, this analysis takes into consideration the distribution of industrial zoned land within the County as well as population growth patterns.

In 2014, there was approximately 9.1 million square feet of net rentable industrial space in Hawaii County. As noted earlier, 35 percent of industrial zoned land in the County is located in Hilo (refer to **Table 8**). Based on this ratio, it is assumed that there is currently approximately 3.2 million square feet of industrial space in the Hilo area. See **Table 17**.

Table 17. Demand for Industrial Space, Hawaii County and Hilo

	Hawaii County (Sq. Ft.)	Hilo (Sq. Ft.)	Assumptions	Rationale
2014 Net Rentable Area	9,079,800	3,177,900	35% of industrial space is in Hilo	35% of industrial zoned lands in Hawaii County is in Hilo.
Estimated Demand 2015-2040 (sq. ft.)			30% of demand for new industrial space will be in Hilo	Although 35% of industrial zoned lands in Hawaii County is in Hilo, assume Hilo will capture a lower percentage of new demand for industrial space. Assume that North Kona will have greater demand for new industrial space compared to Hilo because of the higher population growth occurring in that area.
Square Feet	1,410,000	423,000		
Acres [(a)]	129	39		
Estimated Demand per year (sq. ft.)				
Square Feet	56,400	16,920		
Acres [(a)]	5	2		
Estimated Industrial Space, 2040 (sq. ft.)	**10,489,800**	**3,600,900**		

Notes:
[(a)] Assumes 25 percent lot coverage.

Prepared by: Munekiyo Hiraga, 2014.

Although 35 percent of industrial zoned lands in the County are in Hilo, it is assumed that Hilo will capture a lower percentage of new demand for industrial space between 2015 and 2040. This assumption is attributed to Hilo's slower population growth rate compared to other areas of the island. Notably, North Kona, which contains 48 percent of industrial zoned land, and Keaau-Mountain View areas are growing at a much faster rate than Hilo. Recall that between 2000 and 2010, Hilo's population increased by approximately 8 percent while the number of residents in North Kona grew by 33 percent and Keaau-Mountain View experienced a 51 percent population increase. Refer to **Table 1**. Assuming this trend continues, it would be reasonable to expect that these areas will see greater employment growth compared to Hilo and as a result, greater demand for industrial space. Discussion with a local commercial real estate broker confirmed this sentiment. In particular, the population growth in the Keaau-Mountain View area has contributed to stronger demand in the Shipman Business Park in Keaau.

Based on the aforementioned factors, it is assumed that Hilo will capture a smaller share of the demand for new industrial space. Rather than capturing 35 percent of demand for industrial space, which is consistent with Hilo's share of industrially zoned land, this analysis assumes that 30 percent of the demand for new industrial space in the County will be in the Hilo area. Of the countywide demand for 1.4 million square feet of new industrial space, an estimated 423,000 square feet is expected to be demanded in Hilo. This translates to approximately 16,920 square feet per year, or 2 acres of industrial land per year, assuming a lot coverage ratio of 25 percent. Refer to **Table 17**.

C. PLANNED AND PROPOSED PROJECTS

In 2006, an Environmental Impact Statement Preparation Notice (EISPN) was filed on behalf of the DLNR for the planned Mana Industrial Park ("Park"). The DLNR envisioned the development of the Park on 157 acres of State lands in Hilo near the airport, and adjacent to the existing KIA. The EISPN introduced the Mana Industrial Park Master Plan, which would guide the phased development of the master planned industrial park, including the primary infrastructure (roads, water, grading and drainage, power, and telecommunication systems), and the subdivision of individual industrial lots to be issued as ground leases, which would provide additional industrial space in the Hilo area. The Park would serve in meeting the previously discussed anticipated demand of industrial space in Hilo through 2040 (PBR Hawaii, 2006). However, it is noted that the project is currently on hold and DLNR does not have a time frame for the development.

D. DEMAND FOR COMMERCIAL USES AT KANOELEHUA

The existing zoning of DLNR's KIA lands limits opportunities for other commercial uses on the properties such as office or retail. The majority of DLNR's parcels is designated for industrial use by the County General Plan's Land Use Pattern Allocation Guide (LUPAG) and is zoned Limited Industrial (ML) or General Industrial (MG). Business services, commercial or personal services, offices, and general retail establishments are not permitted uses within the ML or MG districts. Only retail sales that are incidental and subordinate to permitted uses within the zoning district are allowed.

If DLNR would like to lease its lands for commercial use with the potential to generate higher lease revenue, a Change of Zone application would be required. One option for rezoning is the Industrial-Commercial Mixed (MCX) District. If the parcels are rezoned to the MCX District, it would still be consistent with the underlying County General Plan LUPAG industrial designation. The MCX District is intended to provide for areas of diversified businesses and employment opportunities by permitting a broad range of uses, without exposing nonindustrial uses to unsafe and unhealthy environments. This district allows for a greater diversity of uses than the ML and MG districts and is intended to promote and maintain a viable mix of light industrial and commercial uses. Business services, convenience stores, medical clinics, and offices are permitted in the MCX District. Rezoning to the MCX District would allow for a greater diversity of uses, including other commercial uses that can generate higher lease rates.

General retail establishments are not permitted in the MCX District. Retail uses would require rezoning to Neighborhood Commercial (CN), General Commercial (CG), or Village Commercial (CV) Districts. However, rezoning to the CN, CG, or CV districts would not be consistent with the underlying County General Plan LUPAG industrial designation. As such, a General Plan amendment would be necessary. Amendment to a County General Plan is a trigger for the preparation of an Environmental Assessment (EA) pursuant to Chapter 343, HRS.

To avoid "spot zoning", the rezoning of specific parcels within a larger zoned area, DLNR should look for opportunities to rezone lands that are adjacent to existing commercial areas. There are areas at the northern and southern boundaries of the KIA that are adjacent to MCX or CN districts. In particular, parcels in the vicinity of Kuawa Street and Kalanikoa Street are adjacent to MCX and CN zones while parcels along Pohaku Street and Kukila Street are in close proximity to CG and MCX zones. Refer to zoning maps provided in **Appendix "A"**.

Rezoning of DLNR's other parcels that are within larger industrial zoned areas and are not adjacent to commercial areas would require a more comprehensive assessment and discussion together with the County of Hawaii administration and other adjacent landowners and tenants. Broad rezoning of existing industrial lands in KIA, including DLNR's parcels, would involve a larger policy discussion by the Planning Department, Planning Commission, and County Council, who is the ultimate approving authority for Change of Zone actions. The County's long-term vision for land uses in and around KIA as well as potential concerns of maintaining sufficient supply of industrial lands in the region would be considered. For example, rezoning of areas from ML or MG to MCX would allow for a greater diversity of commercial uses. However, the shift to MCX zoning would also limit some of the true industrial uses that the ML and MG areas are intended to provide and could have impacts on existing industrial users in the area. These types of high-level policy implications would need to be assessed in greater detail before a rezoning effort is initiated.

Discussions with local commercial brokers indicate that if DLNR's lands were zoned MCX there would be demand for the properties. Employment projection data for Hawaii County presented earlier in **Table 14** also supports this. Health services and business services, which could be accommodated in MCX-zoned areas, are projected to add 7,130 jobs and 3,180 jobs, respectively, between 2015 and 2040, making these industries among the fastest growing industries in Hawaii County. Continued growth in these areas would support demand for MCX-zoned land, which can accommodate medical clinics, offices, business services, and other mixed industrial-commercial uses.

MCX-zoned land has the potential to generate higher lease revenues than ML and MG lands due to the broader array of permitted commercial uses in this district. As previously presented in **Table 6**, industrial rents are lower than other commercial rents such as office. However, as discussed above, with the exception of specific areas that are adjacent to existing commercially zoned lands, a broad rezoning of lands within KIA, including DLNR's lands, would involve assessment of various policy implications of implementing this type of change.

V. CONCLUSION

V. CONCLUSION

This Market Study has presented information on and analysis of population and employment trends, market conditions for industrial real estate, and industrial demand projections. This section will summarize the key findings and present an analysis of future market demand for Department of Land and Natural Resources' (DLNR's) Kanoelehua Industrial Area (KIA) properties.

A. SUMMARY OF FINDINGS

- **DLNR leases approximately 59 acres of land within the KIA, the majority of which is zoned for General Commercial (MG) or Limited Industrial (ML) uses.** The MG and ML districts allow for limited commercial uses and various manufacturing, repair, and storage uses. In general, heavier industrial uses are only allowed in the MG district. Business services, commercial or personal services, offices, and general retail establishments are not permitted uses in these zoning districts.

- **Hilo is the largest population center in Hawaii County, though other areas are growing at a faster rate.** In 2010, there were 45,714 residents in Hilo, representing 25 percent of the County's total 185,079 population. However, North Kona and Keaau-Mountain View, the second and third largest population centers, respectively, are growing at a faster rate than Hilo.

- **Hilo and North Kona have the largest number of employed civilians in the County.** There were 22,743 employed civilians in Hilo and 20,686 employed civilians in North Kona in 2010. A slightly higher proportion of Hilo and North Kona residents are employed compared to the County as a whole.

- **Jobs in Hawaii County account for 10 percent of total statewide employment.** There were 63,400 non-agricultural wage and salary jobs in the County in 2013. While employment has recovered following the Great Recession, the number of jobs in Hawaii County still has not reached pre-recession levels, which peaked at 66,800 jobs in 2007.

- **Industrial-related employment comprised on average, 14 percent of total non-agricultural wage and salary jobs in Hawaii County between 2000 and 2013.** Jobs in the Natural Resources and Mining and Construction, Manufacturing, Wholesale Trade, and Transportation, Warehousing, and Utilities industry sectors

peaked at 16 percent of total jobs in 2007 before dropping to 13 percent of countywide employment in 2009 during the recession.

- **Unemployment in Hawaii County has historically been higher than the State as a whole.** In September 2014, the unemployment rate stood at 5.4 percent in Hawaii County, the highest among all counties in the State.

- **Among the three (3) major commercial real estate classes, industrial lease rates are the lowest.** A comparison of lease rates across the State found that retail rates are at least three (3) times higher than rates for industrial space. In Hawaii County, retail rates of $3.42 (NNN) per square foot per month are four (4) times higher than the industrial rate of $0.84 (NNN) per square foot per month.

- **Industrial-zoned lands in Hawaii County are concentrated in the Hilo and North Kona areas.** Of the 6,213 acres of land zoned for General Industrial (MG), Limited Industrial (ML), and Industrial/Commercial Mixed (MCX), 48 percent is located in North Kona and 35 percent is located in Hilo.

- **Existing structures and infrastructure in KIA are dated; Shipman Business Park in Keaau has newer infrastructure and larger, undeveloped lots.** Between the three (3) industrial areas in East Hawaii, Shipman Business Park features newer existing infrastructure and larger lots, many of which are undeveloped with room for potential expansion around the existing park. Tenants of DLNR-leased property in KIA are responsible for the repair and maintenance of improvements on the lands. With leases expiring in the near future, there is little incentive for tenants to invest in the properties.

- **In general, DLNR's current ground lease rates for its properties at KIA are lower than market rate lease rates for industrial land on neighbor islands and suburban areas of Oahu.** The average lease rate for KIA properties is $42,284 per acre per year. In general, lease provisions governing the KIA properties require that the annual rent amount be determined every 10 years based on an appraiser's assessment of fair market value. Because rental rates are adjusted every 10 years, the lease rates can trail market trends, particularly towards the end of the lease terms or the 10 year increments.

- **Employment in industrial-related sectors is projected to increase by 15 percent in Hawaii County between 2015 and 2040.** The mining and construction, food processing, other manufacturing, transportation, utilities, and wholesale trade sectors are expected to add 1,410 jobs over the next 25 years. While growth in these sectors is projected to be more modest than job growth in other sectors, such as health services, government, and business services, the anticipated job growth is indicative of continued demand for industrial space in the County.

- **Job growth in industrial-related industries is expected to generate demand for 1.4 million square feet of new industrial space in Hawaii County between 2015 and 2040.** Based on the distribution of industrial zoned lands in the County and population growth patterns, it is assumed that demand for industrial space in Hilo would be approximately 423,000 square feet during this time period.

- **Current zoning limits the use of most of DLNR's properties to industrial uses.** While there would be demand for other commercial uses, rezoning to industrial-commercial mixed (MCX) or other zoning districts would be required. With the exception of specific areas that are adjacent to existing commercial properties, a broad rezoning of lands within KIA would involve an assessment of the policy implications of implementing this type of change.

B. MARKET DEMAND FOR KIA PROPERTIES

Hawaii County's population and employment have been and are projected to grow at a faster pace than the State as a whole. Between 2015 and 2040, Hawaii County is expected to add more jobs than any of the neighbor islands and overtake Maui County as the County with the second largest number of jobs in the State after Oahu. The County is projected to add 22,100 jobs during this time period, an increase of 31 percent. This includes an increase of 1,410 jobs in industrial-related industry sectors. As discussed earlier, job growth in industrial sectors is anticipated to generate continued demand for industrial space in Hawaii County. As a major population and business center and with 35 percent of the County's industrial zoned land, Hilo is anticipated to capture a portion of this industrial demand.

The anticipated employment growth and associated industrial demand is expected to sustain demand for industrial space in Hilo in the future. An important consideration for DLNR in this regard is the availability and conditions of their properties in the KIA. On Hawaii Island over the past several years, there has been much growth in the Puna District, south of Hilo and there has been an increase in job demand in the area. As a result, some

industrial and commercial businesses are wanting to seek out locations for their businesses closer to this region, in areas such as the Shipman Business Park. Aside from its location, Shipman Business Park offers newer infrastructure, newer structures, and larger undeveloped lots. Nevertheless, as Hilo remains the main population center of the island, and is in close proximity to the harbor and airport, there is still demand for industrial space. If the DLNR wishes to retain businesses on their properties in the long term, investment into redevelopment, consolidation, and infrastructure upgrades should be considered. The leasehold structure present at KIA has placed the area at a disadvantage as the lease terms neared expiration, creating uncertainty among tenants and disincentive for investment in improvements on DLNR-leased properties. The expiration of a large number of leases in the near future presents an opportunity to reevaluate the leasing strategy for KIA. The reissuance of leases will create opportunities and incentives for new investment into the area and strengthen KIA's competitive position among industrial parks in East Hawaii.

In addition to the question of demand, an important consideration for DLNR is maximization of lease revenue from its land to support its programs. As presented earlier, industrial lease rates are generally the lowest among the three (3) major commercial real estate classes. Retail and office uses command higher rents. However, in the case of DLNR's KIA properties, permitted land uses are generally limited by County zoning to industrial or industrial-related uses. The majority of the properties leased by DLNR in the area are zoned for General Industrial (MG) or Limited Industrial (ML) uses, which do not permit business services, commercial or personal services, offices, and general retail establishments. Thus, while leases can be structured to allow for the "highest and best use" permitted by applicable regulations, the County zoning will, in many cases, preclude the establishment of some of the uses that generate higher lease rates. Rezoning would be required to allow for other commercial uses that can demand higher lease revenues. As discussed previously, rezoning for most of DLNR's properties would involve a larger policy assessment and decision for the KIA area as a whole.

Nevertheless, there are other factors that may influence rental revenues for the DLNR. The analysis presented herein suggests that the current ground lease rates at KIA, which average $42,284 per acre per year, are generally lower than market rate rents for industrial land on the neighbor islands and suburban areas of Oahu. Data for improved industrial properties (land and building) indicates that Hawaii County rental rates are the lowest in the state (refer to **Table 6**), suggesting that Hawaii County ground lease rates would also be lower relative to other neighbor islands due to various locational factors and market conditions. Nevertheless, DLNR's average ground lease rate of $42,284 may also lag other neighbor island rates due to the structure of lease rate adjustment established by the terms and

conditions of the lease. In general, the leases provide that rental rates be reopened and redetermined every 10 years, with the rates established at the preceding rate or an appraiser's fair market value, whichever is higher. The fact that leases are only readjusted every 10 years can result in rates that lag market conditions, particularly toward the end of the 10 year increment. Reducing the time frame for lease adjustment from 10 years could translate into rental rates that are more in keeping with current market conditions. Reduction of the time frame for rental adjustment does not pose a risk to DLNR's revenue potential so long as the terms continue to state that the rate be set at the preceding rate or fair market rate, *whichever is higher*.

VI. REFERENCES

VI. REFERENCES

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APPENDIX A.

Kanoelehua Industrial Area – Land Use Designations for North and South Study Areas[4]

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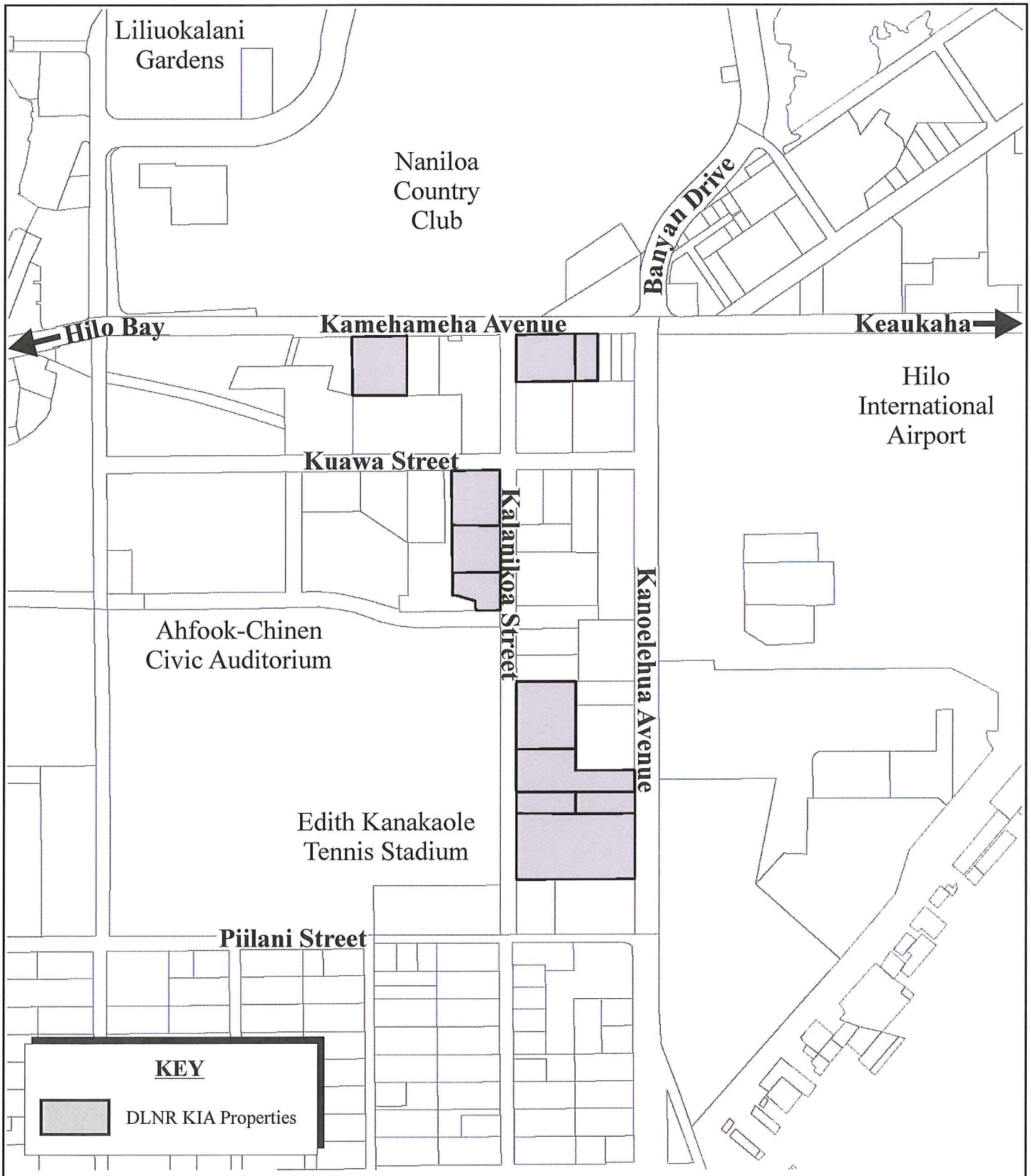
4 Land use designation maps presented in this Appendix separate the Kanoelehua Industrial Area into a North Study Area and South Study Area. This geographic delineation facilitates the more detailed presentation of maps.



Source: County of Hawaii and Department of Land and Natural Resources

Figure A1 Kanoelehua Industrial Area
North Study Area Parcels

0 250 125 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\North Parcels.MS

Source: County of Hawaii and Department of Land and Natural Resources

Figure A2 Kanoelehua Industrial Area

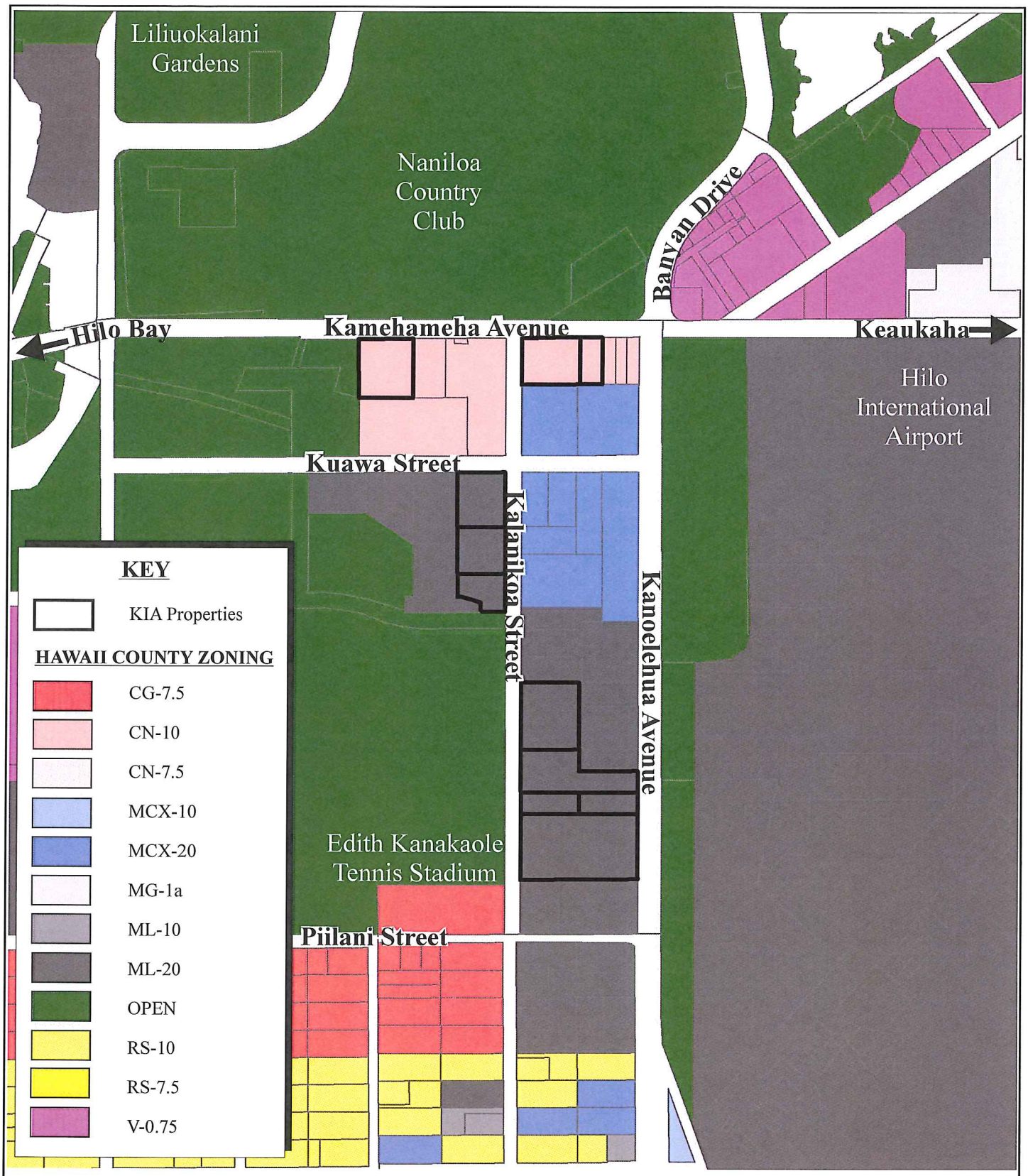
North Study Area Hawaii County Land Use Pattern Allocation Guide Designations

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\North LUPAG.MS



Source: County of Hawaii and Department of Land and Natural Resources

Figure A3 Kanoelehua Industrial Area

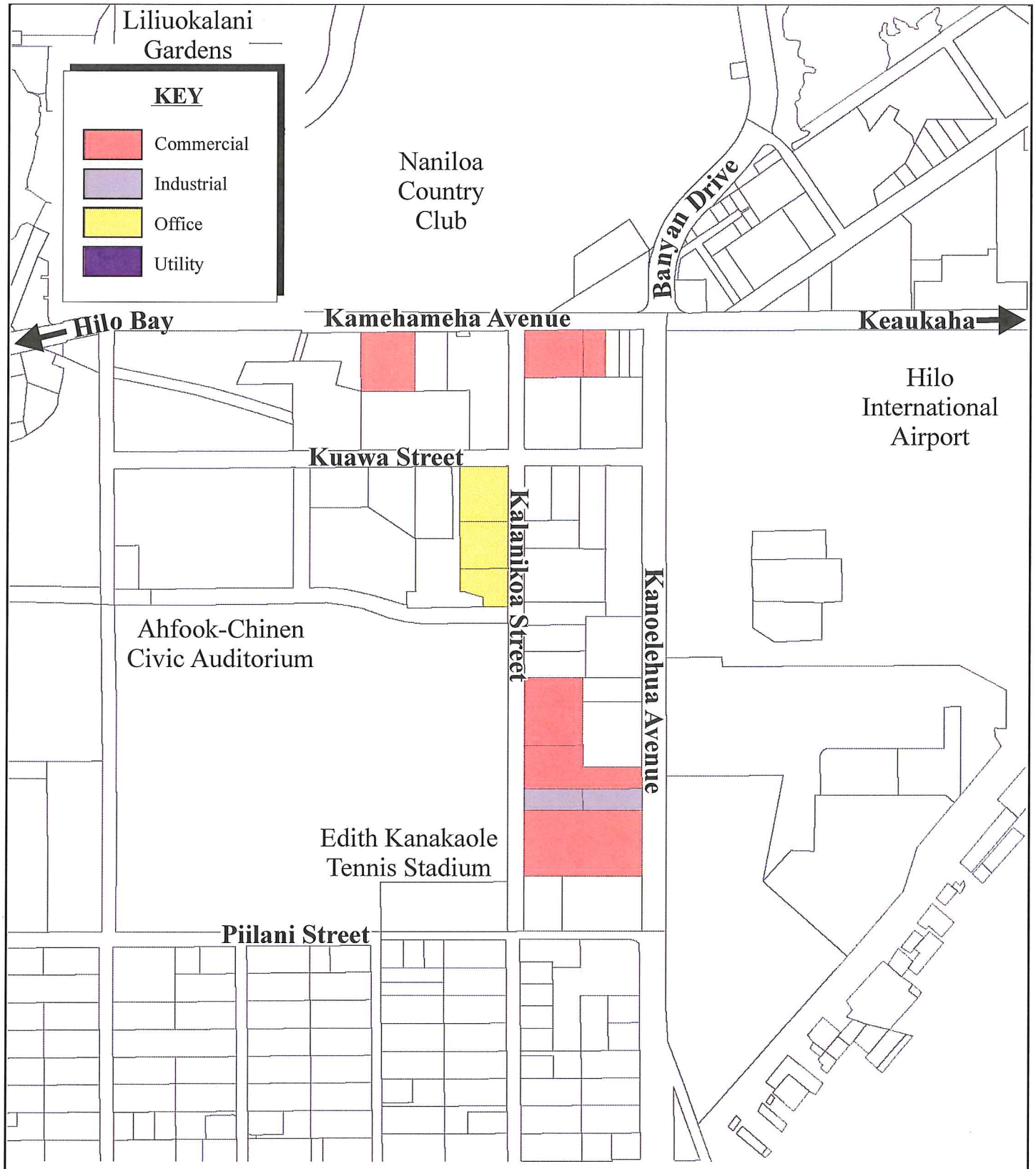
North Study Area Hawaii County Zoning Designations

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\North Zoning.MS



Source: County of Hawaii and Department of Land and Natural Resources

Figure A4 Kanoelehua Industrial Area

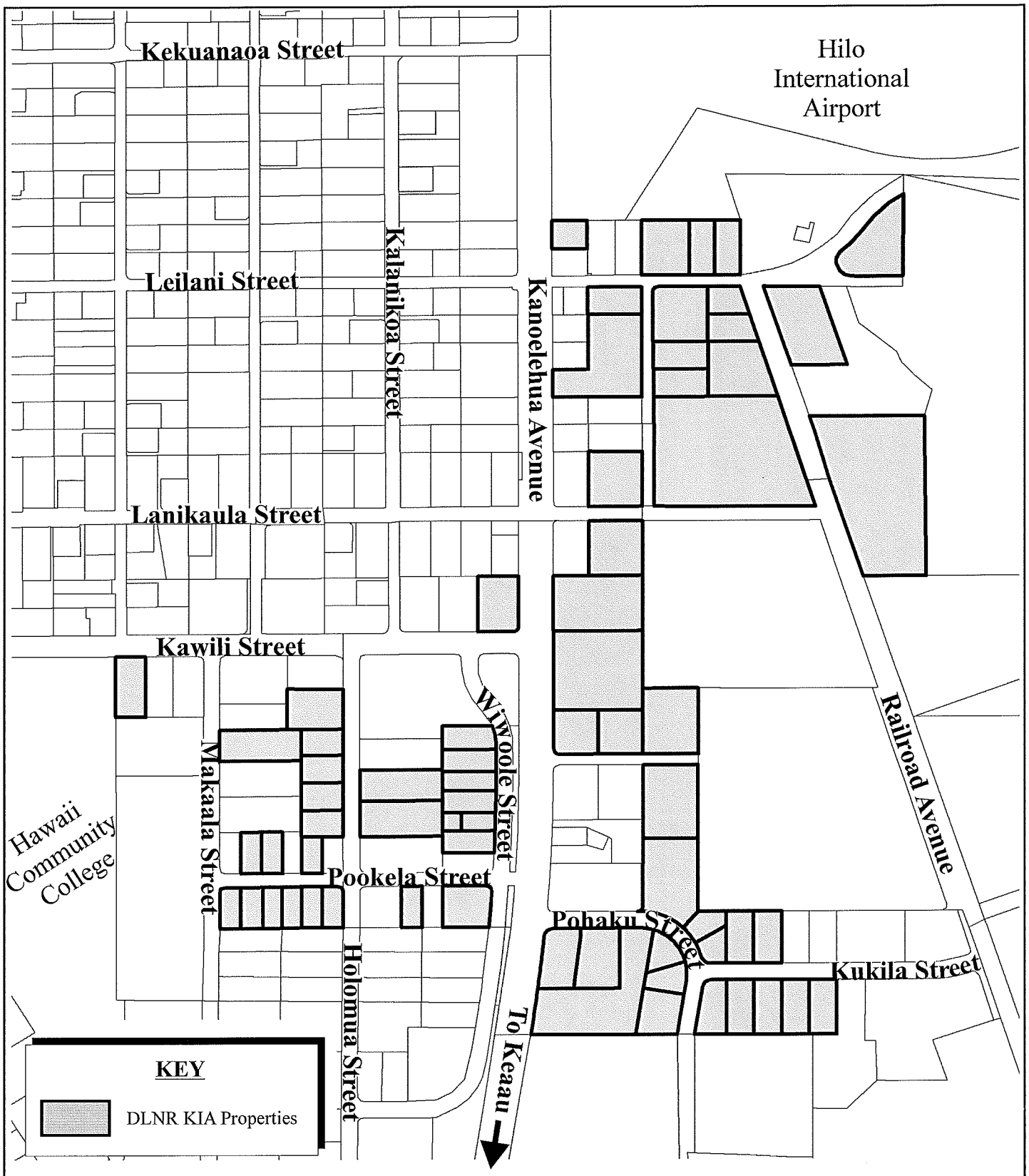
North Study Area Existing Uses

0 250 Feet
125 500

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\North Uses.MS



Source: County of Hawaii and Department of Land and Natural Resources

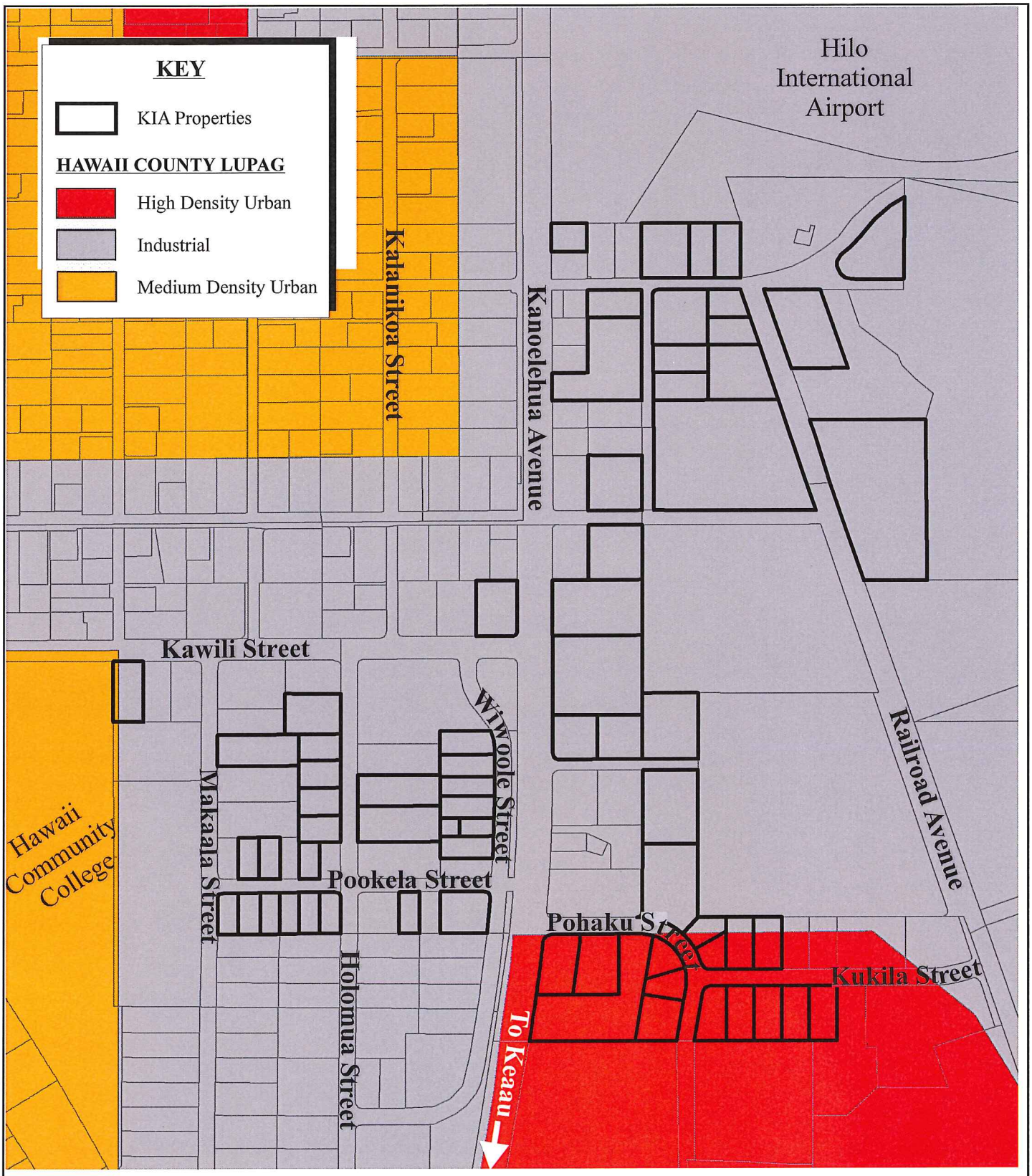
Figure A5 Kanoelehua Industrial Area
South Study Area Parcels

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\South Parcels.MS



Source: County of Hawaii and Department of Land and Natural Resources

Figure A6 Kanoelehua Industrial Area

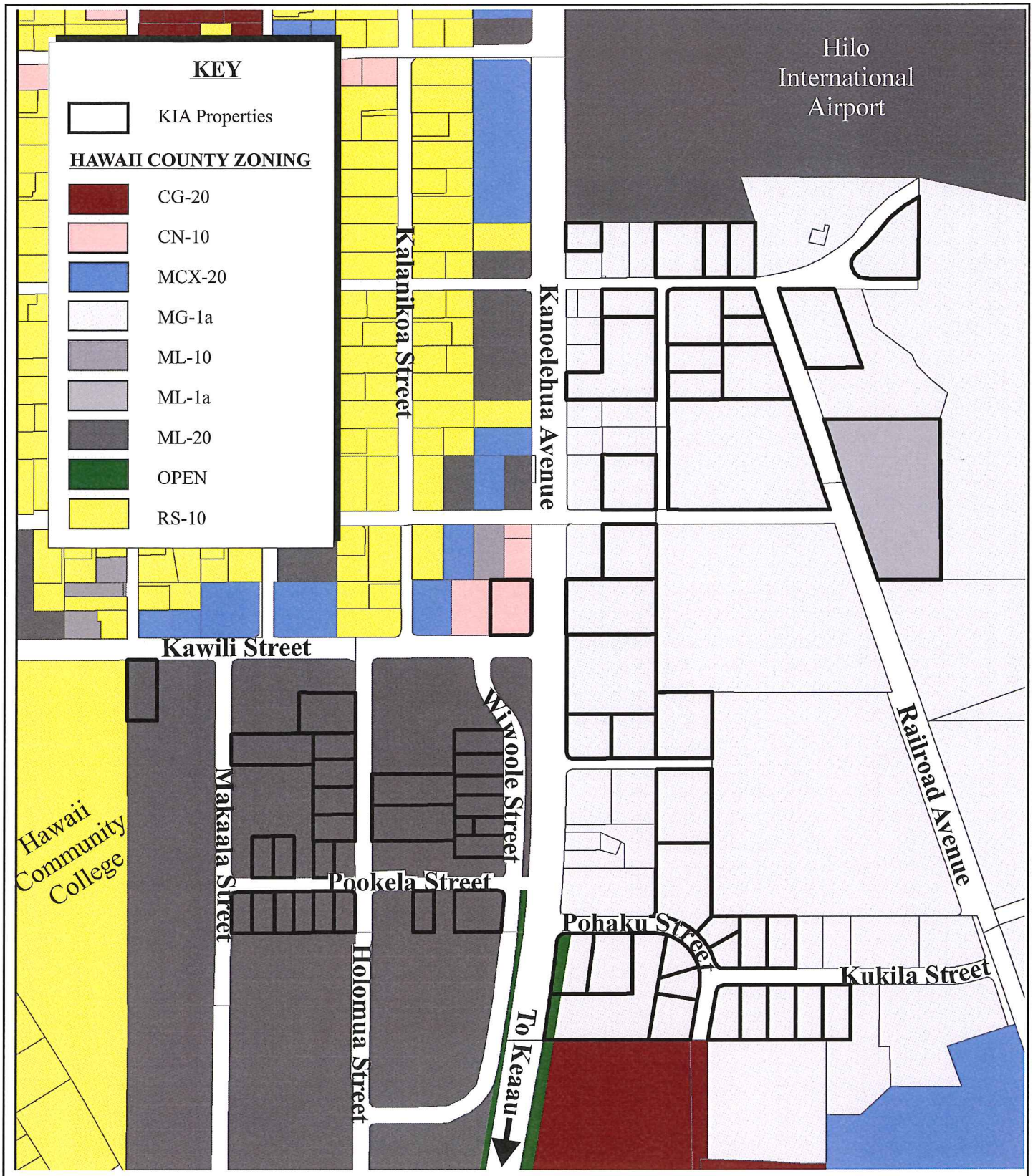
South Study Area Hawaii County Land Use Pattern Allocation Guide Designations

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\South LUPAG.MS



Source: County of Hawaii and Department of Land and Natural Resources

Figure A7 Kanoelehua Industrial Area

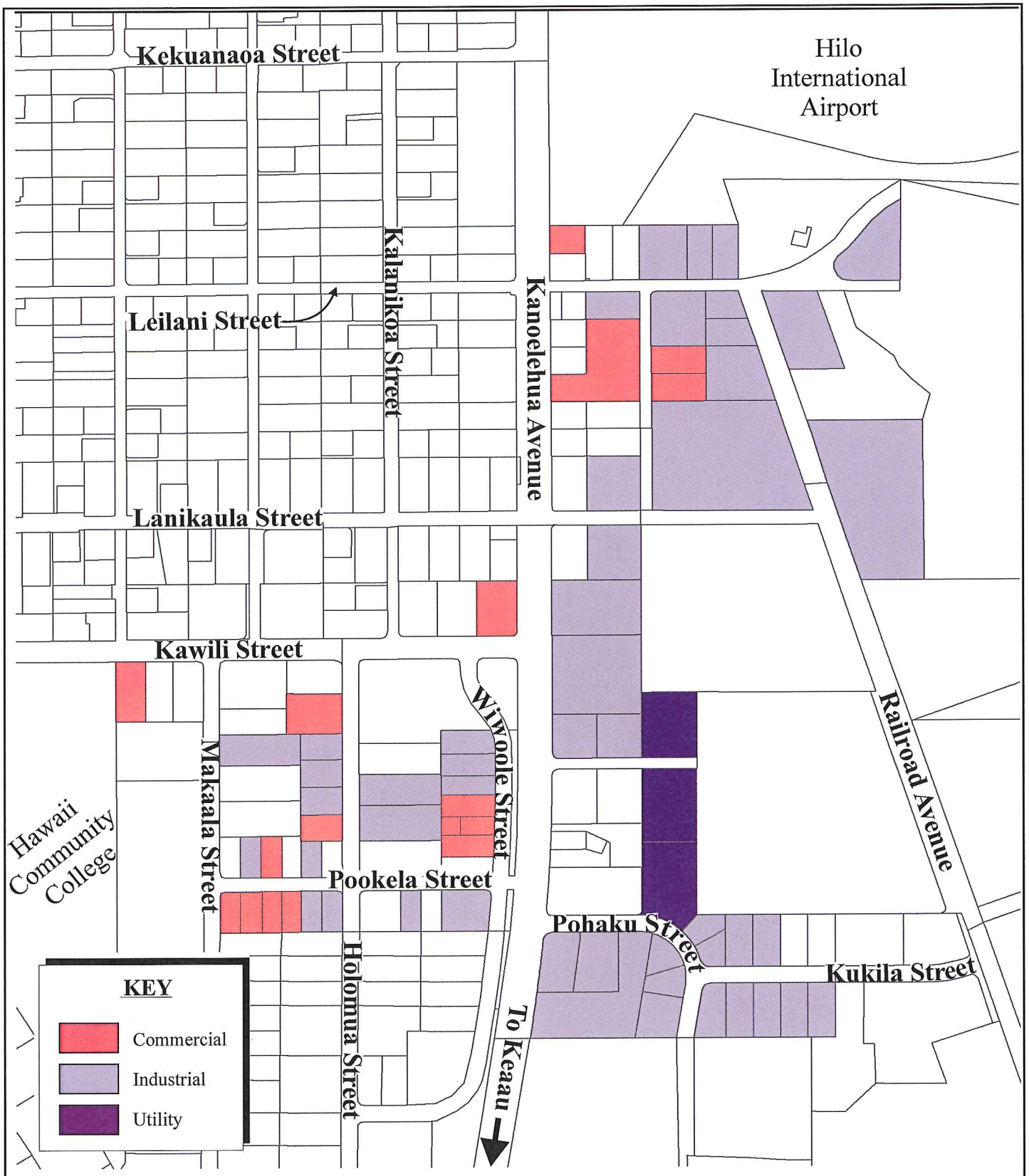
South Study Area Hawaii County Zoning Designations

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\South Zoning.MS



Source: County of Hawaii and Department of Land and Natural Resources

Figure A8 Kanoelehua Industrial Area
South Study Area Existing Uses

0 125 250 500 Feet

MUNEKIYO HIRAGA

Prepared for: State of Hawaii, Department of Land and Natural Resources

SOH DLNR\Kanoelehua Industrial\Market Study\South Uses.MS

APPENDIX B.

Permitted Uses by Zoning District

ZONING CODE PERMISSIBLE USES
Hawaii County Code Chapter 25

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
AGRICULTURE, ANIMALS																	
Agricultural parks.								x	x								
Agricultural products processing																	
-Agricultural products processing, major and minor.	yes (major, minor)							x	x							x	
-Agricultural products processing, minor, provided that the site or buildings used for such processing, shall be located at least seventy-five feet from any street bounding the building site.	yes					x	x										
-Agricultural products processing, minor.	yes													x	x		
Animal hospitals.						x	x	x							x	x	
Animal quarantine stations.															x	x	
Animal sales, stock, and feed yards.																x	
Aquaculture.	yes					x	x	x	x						x	x	x
Areas with over thirty percent slope, in gullies, and where rough terrain discourages intensive agricultural uses, the director may approve any other uses which are permitted in the RA, FA or A districts.									x								
Botanical gardens, nurseries and greenhouses, seed farms, plant experimental stations, arboretums, floriculture, and similar uses dealing with the growing of plants.						x	x	x									
Crop production.	yes	x	x	x	x	x	x	x	x		x	x	x				
Fertilizer manufacturing plants.																x	

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Fertilizer yards utilizing only manure and soil, for commercial use.								x									
Forestry.								x	x								x
Game and fish propagation.							x	x									
Greenhouses, plant nurseries.															x	x	
Growing of plants provided such growth does not impair a view intended to be preserved in the O district.																	x
Guest ranches.	yes					S		S									
Kennels	yes						x	x								x	
-Kennels in sound-attenuated buildings.	yes													x			
-Kennels, provided that the building site is a minimum of five acres in area and the structures are located at least one hundred feet away from any lot line.	yes					x											
Livestock production or grazing																	
-Livestock production (excluding pigs), provided that: (A) The requirements of the department of health are met; (B) Approval of the director is obtained; and (C) Any feed or water area, salt lick, corral, run, barn, shed, stable, house, hutch, or other enclosure for the keeping of any permitted animal shall be located at least seventy-five feet from any lot line.	yes					x											
-Livestock production, provided that piggeries, apiaries and pen feeding of livestock shall not be closer than one thousand feet to any major road or to any district other than the A district on building sites approved by the State department of health and the director.	livestock, piggery								x								

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
-Livestock production, provided that piggeries, apiaries, and pen feeding of livestock shall only be located on sites approved by the State department of health and the director, and must be located no closer than one thousand feet away from any major public street or from any other zoning district.	yes							x									
-Livestock, grazing; provided that any feed or water area, salt lick, corral, run, barn, shed, stable, house, hutch, or other enclosure for the keeping of any permitted animals shall be located at least seventy-five feet from any lot line.	yes						x										
Plant nurseries.														x			
Riding academies, and rental or boarding stables.							x	x									
Roadside stands for the sale of agricultural products grown on the premises.						x	x	x									
Sales and service of machinery used in agricultural production.														x			
Slaughterhouses.																x	
Stables, commercial or boarding, provided that the building site is a minimum of five acres in area and the structures are located at least one hundred feet away from any lot line.						x											
Storage and sale of seed, feed, fertilizer and other products essential to agricultural production.															x	x	
Storage, curing, or tanning of raw, green, or salted hides or skins.																x	
Vehicle and equipment storage areas that are directly accessory to aquaculture, crop production, game and fish propagation, and livestock grazing.							x										

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Vehicle and equipment storage areas that are directly accessory to aquaculture, crop production, game and fish propagation, livestock grazing and livestock production.								x									
Veterinary establishments in sound-attenuated buildings.														x			
Veterinary establishments.						x	x	x				x			x	x	
COMMERCIAL																	
Art galleries, museums.										x		x	x	x			
Art studios.												x					
Bakeries.															x	x	
Bars and nightclubs.														x			
-Bars, night clubs and cabarets.										x		x					
-Bars.													x		x	x	
Buildings and uses similar to the permitted uses listed shall be permitted, as approved by the director.													x				
Business services.	yes									x	x	x	x	x			
Catering establishments.	yes											x		x	x	x	
Commercial or personal services																	
-Commercial or personal service uses, on a small scale, as approved by the director, provided that the total gross floor area does not exceed one thousand two hundred square feet and a maximum of five employees.	yes			x													
-Commercial or personal service uses, on a small scale, as approved by the director.	yes				x												
Convenience stores.	yes				x						x	x	x	x			
Data processing facilities.	yes													x			

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Display rooms for products sold elsewhere.												x					
Equipment sales and rental yards, and other yards where retail products are displayed in the open.												x					
Farmers markets.*	yes										x	x	x				
Financial institutions.										x	x	x	x	x	x	x	
Home improvement centers.	yes													x	x	x	
Home occupations, as permitted under Section 25-4-13..	yes	x	x	x	x	S	S	S		x	x	x	x				
Laboratories, medical and research.												x	x	x	x	x	
Lumberyards and building material yards.																x	
-Lumberyards and building material yards, but not including concrete or asphalt mixing and the fabrication by riveting or welding of steel building frames.															x		
Medical clinics.	yes				x					x	x	x	x	x			
Motion picture and television production studios.														x	x	x	
Museums.											x						
Offices.											x	x	x	x			
Personal services.	yes									x	x	x	x				
Photography studios.										x	x	x	x	x			
Restaurants.	yes				x					x	x	x	x	x	x	x	
Retail establishments.	yes									x	x	x	x				
Retail sales as incidental and subordinate to any permitted use.															x	x	
Schools, business.	yes													x			
Schools, photography, art, music and dance.	yes													x			

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Schools, vocational.	yes													x	x		
Self-storage facilities.	yes													x	x	x	
Services for persons working in the district which are conducted within an integral part of a main structure with entrances from the interior of the building and which have no display or advertising visible from the street, as incidental and subordinate to any permitted use.															x	x	
Temporary real estate offices, as permitted under section 25-4-8.		x	x	x		S	S	S		x			x	x	x	x	
Theaters.	yes									x	x	x	x	x			
Visitor information centers.										x							
COMMUNITY FACILITY																	
Cemeteries and mausoleums, as permitted under chapter 6, article 1 of this Code.		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Churches, temples and synagogues.		U	U	U	x	S	S	S	S	x	x	x	x	x	x	x	
Community buildings, as permitted under Section 25-4-11.	yes	x	x	x	x	S	S	S	S	x	x	x	x	x	x	x	x
Crematoriums.		U	U	U	U	S		S	S	U	U	U	U	U	U	U	U
Day care centers.	yes	U	U	U	x	S	S	S	S	x	x	x	x	x	x	x	
Hospitals, sanitariums, old age, convalescent, nursing and rest homes.	yes	U	U	U	U	S	S	S	S	U		x	x				
Meeting facilities.	yes	x	x	x	x	S	S	S		x	x	x	x	x			
Mortuaries.		U	U	U	U	S	S	S			x	x	x				
Public uses and structures																	

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
-Public uses and structures, as permitted under Section 25-4-11.	yes	x	x	x	x	x				x	x	x	x	x	x	x	x
-Public uses and structures, necessary for agricultural practices.	yes						x	x	x								
-Public uses and structures, other than those necessary for agricultural practices, as provided under Section 25-4-11.	yes						S	S	S								
Schools.	yes	U	U	U	x	S	S	S			x	x	x				
MANUFACTURING, REPAIR, STORAGE, CHEMICALS																	
Any other use not otherwise permitted that relates to the manufacturing, transportation, processing, assembling, distributing, repairing, and storage of goods, products, or materials.																x	
Breweries, distilleries, and alcohol manufacturing facilities.																x	
Bulk storage of flammable products and bulk storage of explosive products.																x	
Carpentry, hardwood products and furniture manufacturing and storage establishments.															x		
Cleaning and dyeing plants.															x	x	
Cleaning plants using only nonflammable hydrocarbons in a sealed unit as the cleansing agent.												x		x			
Concrete or asphalt batching and mixing plants and yards.																x	
Contractors' yards for equipment, material, and vehicle storage, repair, or maintenance.															x	x	
Excavation or removal of natural building material or minerals, for commercial use.								S									

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Fabricating establishments.																x	
Food manufacturing and processing.	yes													x	x	x	
Freight movers.																x	
Heavy equipment sales, service and rental.															x	x	
Ice storage and dispensing facilities.												x					
Laundries.												x			x	x	
Lava rock or stone cutting or shaping facilities.																x	
Light manufacturing, processing and packaging, where the only retail sales outlet for products produced is on the premises where produced.	yes											x					
Machine, welding, sheet metal, and metal plating and treating establishments.																x	
Manufacturing, processing and packaging establishments																	
-Manufacturing, processing and packaging establishments, light and general.	yes															x	
-Manufacturing, processing and packaging establishments, light.	yes													x	x		
-Manufacturing, processing and packaging light and general, except for concrete or asphalt products, where the products are distributed to retail establishments located in the immediate community, as approved by the director.	yes												x				
Marine railways, drydocks, and ship or boat yards.																x	
Photographic processing.														x	x	x	
Plumbing, electrical, air conditioning and heating establishments.															x		

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Printing shops, cartographing and duplicating processes such as blueprinting or photo-stating shops.												x					
Publishing plants for newspapers, books and magazines, printing shops, cartographing, and duplicating processes such as blueprinting or photostating shops, which are designed to primarily serve the local area.													x	x	x	x	
Reduction, refining, smelting, or alloying of metals, petroleum products or ores.																x	
Repair establishments																	
-Repair establishments, major and minor.	yes															x	
-Repair establishments, major, when there are not more than five employees, as approved by the director.	yes												x				
-Repair establishments, minor.	yes										x	x	x	x	x		
Saw mills.																x	
Utility facilities, public and private, including offices or yards for equipment, material, vehicle storage, repair or maintenance.															x	x	
Warehousing.	yes													x	x	x	
Wholesaling and distribution operations.	yes													x			
Wholesaling and distribution, including the storage of incidental materials and equipment, except for highly flammable or explosive products.	yes														x	x	
RECREATION																	
Amusement and recreational facilities, indoor.	yes									x		x	x	x			

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Campgrounds, parks, playgrounds, tennis courts, swimming pools, and other similar open area recreational facilities, where none of the recreational features are entirely enclosed in a building.	yes						x	x									
Country clubs, tennis clubs and other similar recreational facilities which include buildings or indoor recreational features.						S											
Drive-in theaters.						S											
Existing churches and temples of historical significance.																	x
Game preserves.																	x
Golf courses.																	U
-Golf courses and related golf course uses, including golf driving ranges, golf maintenance buildings and golf club houses.		U	U	U	U	U	U	U		U		U	U				
Heiaus, historical areas, structures, and monuments.																	x
Major outdoor amusement and recreation facilities.	yes	U	U	U	U	S	S	S		x		U	U	U	U	U	
Natural features, phenomena, and vistas as tourist attractions.																	x
Neighborhood parks, playgrounds, tennis courts, swimming pools, and similar neighborhood recreational areas and uses.		x	x	x	x						x	x	x				
Parks, playgrounds, tennis courts, swimming pools, and other similar open area recreational facilities.						x				x							
Private recreational uses involving no aboveground structure except dressing rooms and comfort stations.																	x
Public parks.																	x
Retention, restoration, rehabilitation, or improvement of buildings or sites of historic or scenic interest.							x	x									

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Yacht harbors and boating facilities.		U	U	U	U	S				U		U	U	U	U	x	U
RESIDENTIAL																	
Adult day care homes.	yes	x	x	x	x	x	S	S		x	x	x	x				
Bed and breakfast establishments as permitted under Section 25-4-7.	yes	U	x	x	x	S	S	S		x	x	x	x				
Boarding facilities, rooming, or lodging houses.				x	x												
-Boarding facilities, rooming, or lodging houses, provided that the maximum density shall be one thousand two hundred fifty square feet of land area per rentable unit or dwelling unit.											x	x	x				
Care homes.	yes	U	U	U	U												
Dwellings, single-family.	yes	x	x	x	x	x				x	x	x	x				
-Dwelling, single-family, as permitted under chapter 205, Hawaii Revised Statutes and as permitted under Section 25-5-77.(b)	yes, single-family						x	x									
Dwellings, double-family or duplex.	yes		x	x	x					x							
-Dwellings, double-family or duplex, provided that the maximum density shall be one thousand two hundred fifty square feet of land area per rentable unit or dwelling unit.	yes										x	x	x				
Dwellings, multiple-family.	yes			x	x					x							
-Dwellings, multiple-family, provided that the maximum density shall be one thousand two hundred fifty square feet of land area per rentable unit or dwelling unit.	yes										x	x	x				
Family child care homes.	yes	x	x	x	x	x	S	S		x	x	x	x				
Farm dwellings.	yes						x	x	x								

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Group living facilities.	yes	x	x	x	x	x	x	x		x	x	x	x				
Hotels.	yes									x		x					
-Hotels, when the design and use conform to the character of the area, as approved by the director.	yes												x				
Living quarters for watchmen or custodians as incidential and subordinate and in connection with the operation of any permitted use.															x	x	
Lodges.	yes					S		S		x			x				
Model homes, as permitted under Section 25-4-8.		x	x	x	x	S	S	S		x	x	x	x				
Residential uses in connection with the operation of any permitted use												x	x				
Time share units.	yes									x		x					
-Time share units situated in any of the following: (A) Areas designated as resort under the general plan land use pattern allocation guide (LUPAG) map. (B) Areas determined by the director to be within resort areas identified by the general plan land use element, except for retreat resort areas. (C) Areas determined for such use by the council, by resolution.	yes			x													
Trailer parks with density of three thousand five hundred square feet of land area per trailer, provided that plan approval is secured prior to commencing such use.								S									
TRANSPORTATION																	
Airfields, heliports, and private landing strips.								S							x	x	
Automobile and truck sales and rentals.															x		
Automobile and truck storage facilities.															x	x	
Automobile body and fender establishments.																x	

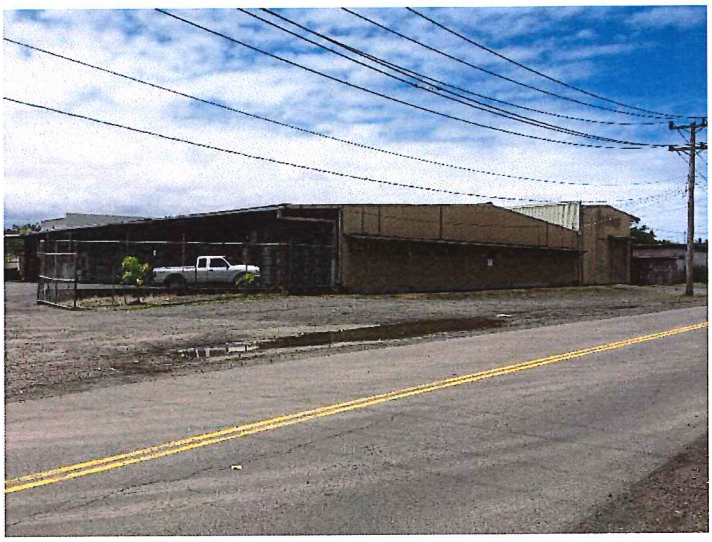
Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
Automobile sales and rentals.												x	x	x			
Automobile service stations.	yes									x	x	x	x	x	x	x	
Car washing.														x	x	x	
-Car washing, provided that if it is mechanized, sound attenuated structures or sound attenuated walls shall be erected and maintained on the property lines.												x					
Commercial parking lots and garages.	yes									x		x	x	x	x	x	
Transportation and tour terminals.															x	x	
Truck, freight and draying terminals.															x	x	
UTILITIES & COMMUNICATION																	
Broadcasting stations.												x		x	x	x	
Telecommunication antennas and towers, as permitted under Section 25-4-12.	yes	U	U	U	U	x	x	x	x	x	x	x	x	x	x	x	x
Utility substations, as permitted under section 25-4-11.		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Wind energy facilities.								x									
Onsite power plants (distributed energy)		accessory to permitted uses; offsite sale or use of power limited to incidental use (<10% of total output)															
WASTE DISPOSAL																	
Dumping, disposal, incineration, or reduction of refuse or waste matter.																x	
Junkyards.	yes															x	
-Junkyards, provided that the building site is not less than one acre in area.	yes														x		
Public dumps.								S								x	
Recycling centers.																x	

Uses	Definition	RS	RD	RM	RCX	RA	FA	A	IA	V	CN	CG	CV	MCX	ML	MG	O
-Recycling centers, which do not involve the processing of recyclable materials.															x		

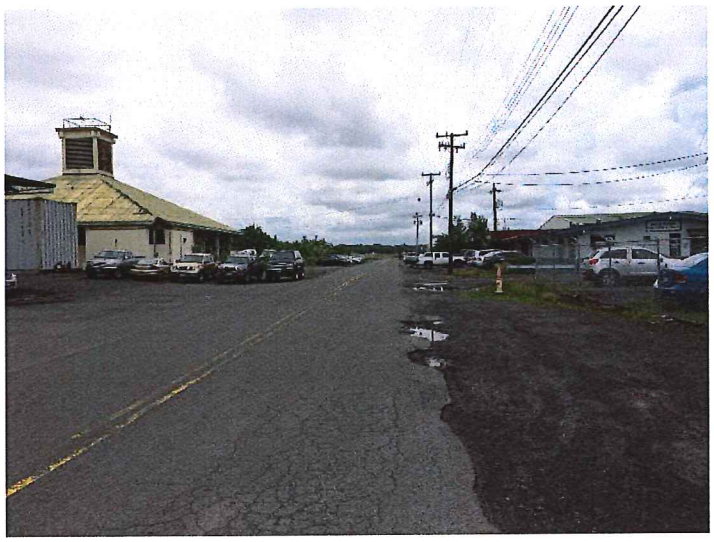
APPENDIX C.

Photos of East Hawaii Industrial Parks

Kanoelehua Industrial Area



Kuhio Industrial Area



W.H. Shipman Business Park

APPENDIX D.

Annual Growth Rate of Employment by Industry, Hawaii County, 2015 to 2040

Appendix D. Annual Growth Rate of Employment by Industry, Hawaii County, 2015-2040

Annual growth rates (%)	**2015-2020**	**2020-2025**	**2025-2030**	**2030-2035**	**2035-2040**
Total civilian wage and salary jobs	1.3%	1.1%	1.1%	1.0%	0.9%
Agriculture	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
Mining and construction	**1.0%**	**0.7%**	**0.6%**	**0.5%**	**0.5%**
Food processing	**0.3%**	**0.3%**	**0.5%**	**0.0%**	**0.3%**
Other manufacturing	**-0.4%**	**0.0%**	**-0.4%**	**-0.4%**	**-0.4%**
Transportation	**0.8%**	**0.5%**	**0.5%**	**0.4%**	**0.4%**
Information	1.7%	0.9%	1.3%	1.0%	0.8%
Utilities	**1.4%**	**1.3%**	**1.2%**	**0.9%**	**0.8%**
Wholesale trade	**0.7%**	**0.7%**	**0.5%**	**0.5%**	**0.4%**
Retail trade	0.5%	0.4%	0.3%	0.2%	0.1%
Finance and insurance	0.5%	0.5%	0.2%	0.0%	0.0%
Real estate and rentals	-0.1%	-0.2%	-0.2%	-0.2%	-0.4%
Professional services	1.8%	1.3%	1.3%	1.0%	1.0%
Business services	2.9%	2.6%	2.3%	2.2%	2.0%
Educational services	2.6%	2.5%	2.1%	2.0%	1.8%
Health services	3.1%	2.8%	2.6%	2.3%	2.1%
Arts and entertainment	0.6%	0.2%	0.2%	0.1%	0.0%
Hotels	0.9%	0.6%	0.6%	0.6%	0.6%
Eating and drinking	1.6%	1.3%	1.2%	1.1%	1.0%
Other services	0.6%	0.4%	0.2%	0.1%	0.0%
Government	1.1%	1.1%	1.1%	1.0%	0.9%

Source: Department of Business, Economic Development, and Tourism

Prepared by: Munekiyo & Hiraga, Inc., 2014