



Meridian Pacific



# PUNA KAI SHOPPING CENTER

15-2714 Pahoia Village Rd. Pahoia, HI 96778

[www.punakaishoppingcenter.com](http://www.punakaishoppingcenter.com)

**114,839 SF OF GROSS LEASABLE AREA**

**NEW 9.93 Acre  
Grocery Anchored  
Shopping Center Development**



### Leasing Team Contacts

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## Property Highlights

Located in the town of Pahoia, within the Puna District on the Big Island of Hawaii. The shopping center is just south of Keaau-Pahoia Road, at the intersection of Pahoia Village Road & Kahakai Boulevard.

Puna Kai will provide a distinctive blend of daily services, specialty shops, entertainment, and eateries, and will be anchored by 35,302 SF Malama Market.

Building architecture will reflect the old Hawaii ambiance and charm, inspiring Puna Kai to be the gathering place in Pahoia that has something for everyone.

- New 9.93 acre shopping center, with 114,839 SF of gross leasable area
- Anchored by 35,302 SF Malama Market, (Sullivan Family of Companies which operates the Foodland supermarket chain)
- Tremendous visibility - Puna Kai is well positioned at the crossroads where Keaau-Pahoia Road (Hwy 130) meets Pahoia Village Road
- The main intersection has an average traffic count of 22,296 cars per day
- Leasing opportunities currently exist for potential tenants ranging from 800 SF to over 5,000 SF



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# PUNA KAI SHOPPING CENTER

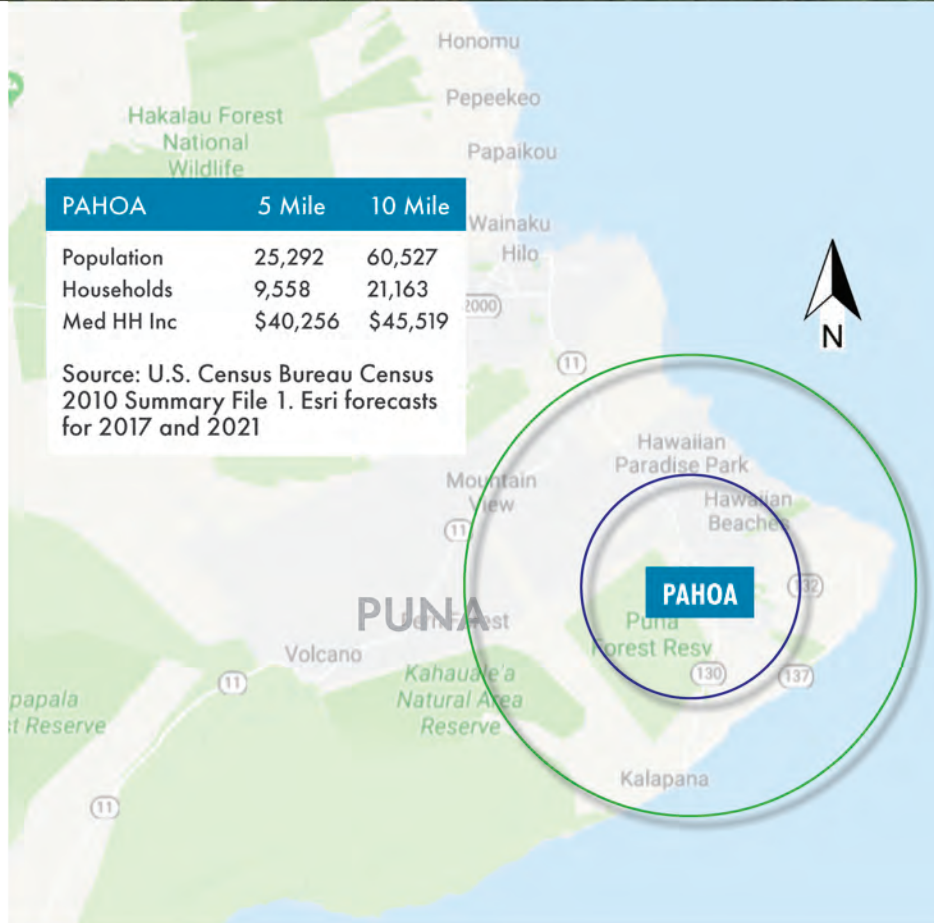
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## Retail Area

- Conveniently located at the intersection of Pahoa Village Road & Kahakai Blvd
- 114,839 SF Gross Leasable Area
- Exciting shopping, dining, and entertainment offerings to the windward side of the Big Island of Hawaii
- The main intersection has an average traffic count of 22,296 cars per day
- Leasing opportunities currently exist for potential tenants ranging from 800 SF to over 5,000 SF





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**AVAILABLE FOR LEASE**

- L-2 | 1,199 SF
- L-3 | 1,199 SF
- L-4 | 1,044 SF
- H-3 | 3,000 SF





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## Demographics

### POPULATION

	5 Mile	10 Mile	15 Mile
2018 Total Population	25,292	60,527	77,519
Pop Growth 2010-2018	14%	11%	10%
Per Capita Income	\$18,730	\$21,488	\$23,385
Median Age	37.9	39.9	40.7

### HOUSEHOLDS

	5 Mile	10 Mile	15 Mile
2018 Total Households	25,558	60,117	77,867
HH Growth 2010-2018	13%	10%	9%
Median Household Inc	\$40,252	\$45,517	\$51,386
Avg HH Size	2.88	2.76	2.80
Avg HH Vehicles	1.7	1.8	n/a

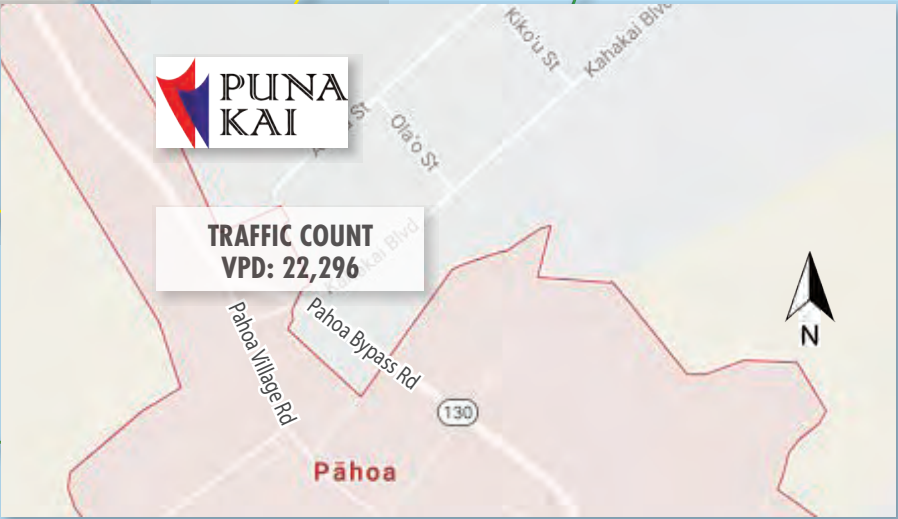
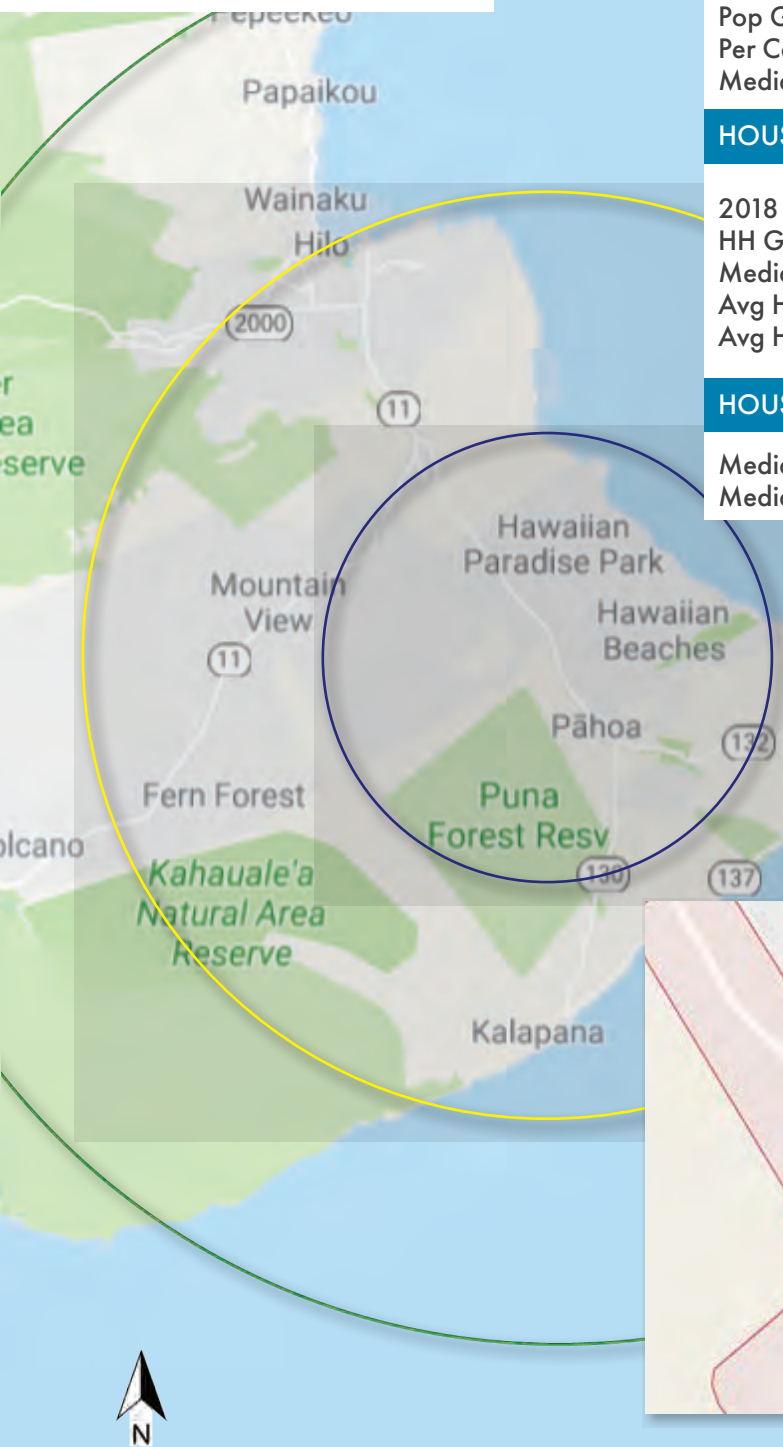
### HOUSING

	5 Mile	10 Mile	15 Mile
Median Housing Value	\$221,667	\$226,904	\$243,920
Median Year Built	1990	1992	1991

### ROUTE TRAFFIC COUNT

Pahoia Village Rd & Keaau-Pahoia Rd	22,296
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SOURCE:  
 U.S. Census Bureau Census 2010 Summary File  
 1. Esri forecasts for 2018 and 2021.  
 2. 2010-2014 American Community Survey





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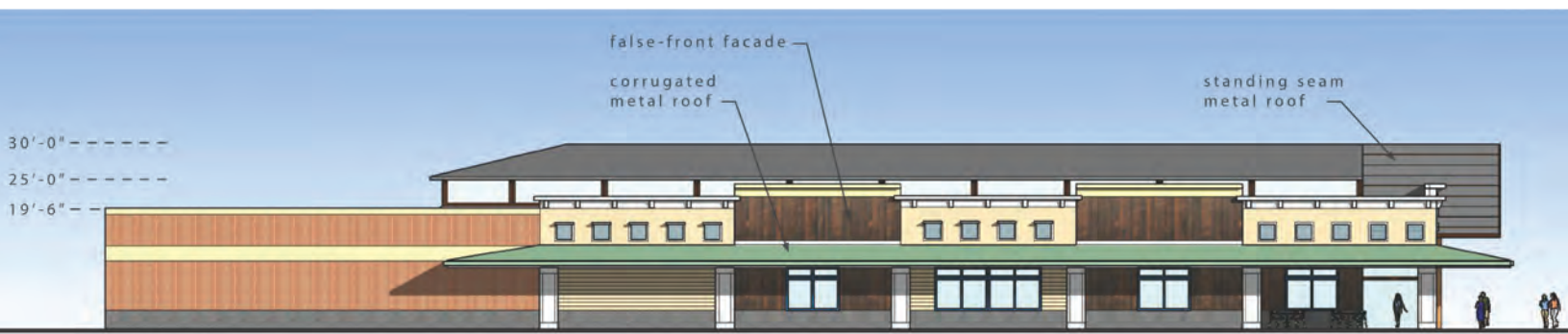
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## Elevation Views | Malama Market



front elevation



side elevation

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DBA: Meridian Pacific

**President** | Gary Pinkston

**VP of Construction** | Colin Thompson

**Project Manager** | Scott Gaston

### ARCHITECT

Reihm Owensby Planners Architects, LLC

### ELECTRICAL ENGINEER

Wallace T. Oki, P.E. Inc.

### MECHANICAL ENGINEER

Lance Uchida Mechanical Engineers, Ltd.

### STRUCTURAL ENGINEER

Iwamoto & Associates

### CIVIL ENGINEER

Engineering Partners, Inc. | Yen Wen Fang, Principle

### WASTE WATER TREATMENT DESIGNER

Roth Ecological Design International, LLC

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***Executive Summary***

The subject property sits at the only entry and exit for one of the island's largest tourist attractions, the lava entering the ocean. It is the major retail center for the area.

A study of the housing stock, short and long-term, shows that there is a significantly larger number of people living in the area, relative to the same US Census population estimates.

Rather than rely on in-person interviewing (in a very rural area), this study depended on the inventory of housing stock, as determined by the tax office of the county. To do so, it took the number of dwellings in the area, counted the total number of bedrooms and then applied industry standard factor of people per bedroom (HUD definition) to estimate the area population.

US Census also has difficulty with vacancy rates, due to the same sampling methodology. For instance, pre-Covid, their data showed there was over 20% vacancy rates, at a time when there was strong visitor demand for vacation rentals and stronger local demand for primary housing (see following data tables). Clearly, Census methodology is skewed, which undercounts demand for retail goods and services.

Besides examining population counts in the target market, we used short-term rental data to estimate daily visitor population (1,233 short-term guests) and their expenditures in the area for F&B plus other retail, plus their housing (rental) expenditures, going into the pockets of their hosts. We concluded there was over \$76 million gross revenue going annually to Pahoa area F&B and other retail providers and \$67 million gross revenue to the Pahoa area hosts.



### **I. INTRODUCTION & SCOPE OF WORK**

Ricky Cassidy who specializes in analyzing residential real estate markets has been retained to perform a study analyzing the retail market on the island of Hawaii, relative to a planned retail development. This entailed collecting, comparing, and analyzing information that has a bearing on the numerous aspects of market demand for the proposed project.

The work that follows examines current and future retail demand, given current and future housing and resort development in and around Waikoloa. It dovetails with extensive work on Waikoloa Village for Hawaii County, as well as on adjoining or area properties for Airbnb, Castle & Cooke Homes, DR Horton, The Resort Group, MSD Capital, SCD Development, AIG, Kamehameha Schools/Bishop Estate, A&B, Centex, Brookfield Homes, Hunt Development, Queen Liliokalani Trust, IHP, Catholic Charities and the Walton Family real estate firm, SunChase.

The scope of work is to describe, analyze and forecast the growth of demand for retail services for the subject property, based on the growth of long and short-term housing, as well as vehicular traffic in and around the area generated by residential and non-residential population. This type of study is sometimes referred to as a "Roof-top" Study.

### **II. LOCATION & COMMUNITY**

The subject property sits within Puna, one of the 9 districts of Hawaii County. Located on the windward (east) side of the Big Island, it borders South Hilo to the north and Ka'ū to the west. With an area of just under 320,000 acres (1,300 km<sup>2</sup>) or 500 sq. miles, it is slightly smaller than the island of Kauai.

The subject property sits at the only entry and exit for one of the island's largest tourist attractions, the lava entering the ocean.

### **III. CURRANT ESTIMATED POPULATION AND HOUSEHOLD COUNTS**

In our opinion, US Census estimate of the population underestimates the target market's population. This is similar to their other Hawaii-based data, such as the rental unit vacancy rate, new home sales data and Fair Market Rental Rates. Our reasoning is that traditional survey techniques here are ineffective, as those asked to participate are apathetic and isolated:

- Apathetic in terms of filling out a 10 page/50 question/210 answer survey instrument, especially given that they are: 43% Asian (ESL problems), 43% mixed race, 14% Caucasian and 12% native Hawaiians (antis-US problems),
- Isolated inasmuch as there is no direct mail delivery and collection in the area. Indeed, a casual fly-over using Google Maps shows this area is rural, and a drive-by confirms the isolation of the registered 17,300 dwellings, each on 1.7 acres of land.

A better indicator for housing is the county tax assessor. They are much more relabel because they count t on property taxes to fund the county operations (plus they have information from other departments, such as planning and construction).

A more robust data series for analyzing the demographic composition of this area is housing data from the county tax assessor, inasmuch as Property taxes are by far the biggest source of revenue for county government. However, even this data under-represents the total number of dwellings in the area, as Puna County Councilman Danny Paleka admitted in a recent newspaper story (West Hawaii Today, May 1, 2016: "West Hawaii pays bulk of island's property taxes"): "Our property values are low. We live in cheaper type of houses and maybe unpermitted."



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### **IV. HOUSING STOCK IN TARGET MARKET DEFINED & CHARACTERIZED**

Using the county tax data, the following tables break down the area housing stock by several categories, bedroom count, ownership, and assessed value.

This is done by the TMK, tax map key definition, which is very precise in terms of unit counts, bedroom counts, square footage interior and lot coverage, garage dwellings and so forth. The TMK for this project is defined as being within TMK Zone 3-1



Greater Pahoia is shown above as zone 1. It sits below zone 2, which is Hilo, and above zone 9, which is Pahala.

There are about 20,000 (19,697) dwelling units in this area, 10% of which were built in the last 6 years

**PUNA AREA HOUSING PRODUCTION**

	Total Units
<1955	889
1955-1959	89
1960-1964	118
1965-1969	206
1970-1974	1,043
1975-1979	951
1980-1984	1,702
1985-1989	1,745
1990-1994	3,116
1995-1999	1,217
2000-2004	1,464
2005-2009	3,915
2010-2014	1,288
2015-2021	1,954
Totals	19,697
Annual Increase 30 Yrs. (Average)	432

In the last five years, 10% of the total housing stock of the area has been created, or 1,954 dwellings (works out to 390 homes/pa).

**V. PROJECTED NEW HOUSING STOCK**

The tables above projected the growth of housing over the following year as 432 homes. It did so using the averages for the past 30 years, 1990-2020. It is a timeframe that encompasses three upswings, which is a good baseline for projecting growth.

The projection for housing stock increase over the next 5 years we assume will be an average of production at 150% the historical rate of 432 dwellings, or 647 dwellings per annum. This is due to the fact that Pahoa has one the lowest costs of housing on the island and in the state, and also due to the fact that there are a large number of dwellings in the area that are off the grid and also not permitted.

Supporting this assumption is the following:

On the supply side, there is actual and ongoing housing construction, in places with large numbers of entitled units, that can readily achieve this assumption over the forecast.

On the demand side, there is a clear and strong demand from offshore households seeking to relocate away from mainland and Asian urban environments long-term. In a similar vein, there is strong short-term demand from visitors wanting an authentic experience at a reasonable price. There is also pent-up housing demand from current residences.

**VI. CURRENT POPULATION PROJECTION BASED ON HOUSING STOCK**

To derive the target market's population using the county assessor's housing stock, we start by describing the housing stock by bedroom counts, running from studios to 10-bedroom units. The following table segments this 19,697 dwellings by the count of their bedrooms.

**PUNA AREA HOUSING INVENTORY BY BEDROOM**

Bedrooms	Unit Counts	Bedroom Counts
Studio	893	893
1 Bed	2,348	2,348
2 Bed	4,713	9,426
3 Bed	9,792	29,376
4 Bed	1,543	6,172
5 Bed	307	1,535
6 Bed	47	282
7 Bed	14	98
8 Bed	5	40
9 Bed	1	9
10 Bed	1	10
Blank	33	66
<b>Totals</b>	<b>19,697</b>	<b>50,255</b>

There are a total of 50,255 bedrooms in these 19,697 dwellings.

Next, we take the average occupancy (HUD defined) of a dwelling unit by bedroom and use it to factor the bedroom counts into the number of household residents. This then estimates the population that can be supported by actual physical housing.

**CURRENT PUNA MARKET BEDROOM STOCK FACTORED INTO POPULATION**

	Unit Counts	Bedroom Counts	Person/Bedrm	Total Pop
Studio	893	893	1	893
1 Bed	2,348	2,348	1.5	3,522
2 Bed	9,426	9,426	3.0	14,139
3 Bed	29,376	29,376	4.5	44,064
4 Bed	6,172	6,172	6.5	10,030
5 Bed	1,535	1,535	7.5	2,303
6 Bed	282	282	9.0	423
7 Bed	98	98	12.0	168
8 Bed	40	40	14.0	70
9 Bed	9	9	16.0	16
10 Bed	10	10	18.0	18
Blank	66	66	2.5	83
<b>Total</b>	<b>50,255</b>	<b>50,255</b>		<b>75,726</b>

Using the conservative HUD factors for people per bedroom, we use the bedroom counts to estimate the total population in the area at 75,726 people.

Last year, as study was done by the state on housing, and in part they investigated the effects of high housing costs on families. They surveyed households to find evidence of doubling up ('more than one family group' in a household) and crowding (2 or more persons per bedroom).

The results from Hawaii County are shown below.

**HAWAII HOUSEHOLDS DOUBLING UP, BY AREA**

	South Kona to Ka'ū	Puna	North and South Hilo	North Hawaii	North Kona
Yes	54	808	3,020	542	637
No	488	8,921	14,040	4,213	10,734

**HAWAII HOUSEHOLDS CROWDING, BY AREA**

Ppl/Bedroom	South Kona to Ka'ū	Puna	North and South Hilo	North Hawai'i	North Kona
Less than 2	526	9,204	15,883	4,341	10,041
More than 2	16	525	1,177	414	1,330

The survey combined the two issues and showed the number of households in total.

**HAWAII HOUSEHOLDS DOUBLING UP & CROWDING, BY AREA**

	South Kona to Ka'ū	Puna	North and South Hilo	North Hawai'i	North Kona
Either or Both	67	1,177	3,566	823	1,660
Neither	475	8,552	13,494	3,932	9,711

**VII. FUTURE POPULATION PROJECTION BASED ON HOUSING STOCK GROWTH**

Here, we predict population growth five years out, to 2027. To do this, we take the previous projection of housing over this period, 646 new dwellings, segment the new units into the new stock of bedroom counts, and apply the HUD factors to arrive at the increase in population. The table below shows this.

**CURRENT PUNA MARKET BEDROOM STOCK FACTORED INTO POPULATION**

	Unit Counts	Bedroom Counts	Person/Bedrm	Total Pop
Studio	29	29	1.0	29
1 Bed	77	77	1.5	116
2 Bed	155	309	3.0	928
3 Bed	321	964	4.5	4,336
4 Bed	51	202	6.5	1,316
5 Bed	10	50	7.5	378
6 Bed	2	9	9.0	83
7 Bed	0	3	12.0	39
8 Bed	0	1	14.0	18
9 Bed	0	0	16.0	5
10 Bed	0	0	17.5	6
Blank	1	2	2.5	5
<b>Total</b>	<b>646</b>	<b>1,648</b>		<b>7,258</b>

As seen, there will be an additional 7,258 people in the target market, every year over the next five years.

**VIII. POPULATION PROJECTION BASED ON VACATION RENTAL HOUSING STOCK & RESORT DEVELOPMENT**

Note that target market area has an inventory of residential housing that can be rented short term. This short-term housing stock brings additional visitors into the target market area. The tables below describe this. It is drawn from the DBEDT website. The source is a research service known as AirDNA.

The first table describes the inventory of units that are advertised short term rentals. It shows the number I've occupied units for 2019 to 2021.

**CURRENT PUNA MARKET OCCUPIED VACATION RENTAL STOCK**

	2019	2020	2021
Occupied Unit Nights	248,983	111,060	154,151
Numeric Change		(137,923)	43,091
Percent Change		-55%	37%

Note that while 2021 had a nearly 40% increase, it is still at around 62% of 2019 capacity - Leading us to expect that 2022 will see another jump in units occupied.

The data provider also tabulates the number of bedroom nights for these occupied units. Using this number we can extrapolate into the number of visitors in the target market area, on a daily basis.

**CURRENT ANNUAL OCCUPIED VACATION RENTAL BEDROOMS COUNTS**

	2019	2020	2021
<b>Occupied Bedroom Nights</b>	427,684	185,251	257,127
<b>Numeric Change</b>		(242,433)	71,876
<b>Percent Change</b>		-57%	39%

The percentage change is very similar to occupied unit count above.

With that information, we can derive a daily population for target market short-term visitors.

**VACATION RENTAL BEDROOM COUNTS & USAGE FACTORED INTO POPULATION**

	2019	2020	2021
<b>Occupied Unit Nights</b>	427,684	185,251	257,127
<b>Ppl/room (1.75 ppl/bedroom)</b>	748,447	324,189	449,972
<b>Ppl per day</b>	2,051	888	1,233

Next, we make some assumptions in order to extrapolate for their daily spending: \$170/day spend on Food & Beverage plus sundries, and \$150/night per bedroom. The following table just takes the 2021 numbers.

**VACATION RENTAL DAILY POPULATION FACTORED INTO EXPENDITURES**

	Per Day Spending	Daily Spend	Annual Spend
<b>Spending on F&amp;B Plus Spend/Person</b>	\$170	\$ 209,576	\$ 76,495,253
<b>Daily Bedroom (housing) Spend</b>	\$150	\$ 184,920	\$ 67,495,812

In sum, there is an estimated daily population of 1,233 short-term guests, hosted through the home stay industry (Airbnb, VRBO) by area residents.

These guests spend \$170/day on F&B and other retail, plus an additional \$150/night for housing (on a per room basis). This translates into \$209,576/day on F&B and other retail, and \$184,920/day on housing.

This nets up annually to over \$76 million gross revenue to the Pahoa area F&B and other retail providers and \$67 million gross revenue to the Pahoa area hosts.