Appendix Q

Market Study, Economic Impact Analysis, and Public Cost / Benefits assessment

Market Study, Economic Impact Analysis, and Public Costs/Benefits Assessment of the

PROPOSED HONUAULA

COMMUNITY

Wailea, Maui, Hawaii

THE HALLSTROM GROUP INC.
REAL ESTATE
CONSULTANTS
& APPRAISERS

June 15, 2009

Mr. Charlie Jencks
Goodfellow Bros. Inc.
P. O. Box 220
Kihei, Hawaii 96753

Market Study, Economic Impact Analysis, and Public Costs/Benefits Assessment of the Proposed Honuaula Community Wailea, Maui, Hawaii

Dear Mr. Jencks:

At your request, we have completed a series of market and econometric analyses associated with Honuaula, a proposed 1,150 unit development to be located on 668.4 acres fronting Piilani Highway, mauka-abutting Wailea Resort, 12 miles southwest of Kahului, Maui. The multi-phase project will provide a mix of competitive residential inventory intended to service the mid to long-term regional demand for a broad spectrum of product ranging from affordably-priced workforce housing units to upper-end golf course homes. Commercial, recreational and open space components will service resident needs, combining to create a comprehensive modern master-planned suburban community.

Our study was primarily comprised of three elements:

1. **Market Study**. To ascertain whether there will exist sufficient demand in the South Maui residential and commercial real estate markets to successfully absorb the finished subject inventory in a timely manner given its characteristics and those of competing in-place and proposed regional development.

2. **Economic Impact Analysis**. To estimate the general and specific effects on the local economy which will result from the development of Honuaula, including construction and business employment, wages and income, contractor/supplier profits, end-user expenditures, and other regional monetary and employment effects. And, to identify and determine specific effects associated with regional real property issues including population, traffic, affordable housing and property values.

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3. **Public Cost/Benefit Assessment**. To quantify the impact on the public purse arising from the subject project in regards to tax/fee revenues which will be received by the State of Hawaii and Maui County due to the project's actualization, versus the implied costs of providing needed governmental services to the population of the development.

Additionally, our studies and presentation are intended to fulfill the requirements of Maui County Code Section 19.510.010 General application procedures:

> "10. Analysis of the secondary impacts of the proposed use on surrounding uses which includes, but which is not limited to, increases in property value, populations, housing, community services and facility needs, secondary jobs and employment generated, and compatibility with surrounding uses, and if applicable, the affordable housing program and comments from the department of human concerns of the County, and other mitigation plans and comments from the respective governmental and community services agencies."

The subject property, identified on State of Hawaii Tax maps as Second Division Tax Map Key 2-1-08, Parcels 56 and 71, varies from gently to moderately sloping, has a desirable windless climate, and offers superior ocean and mountain views. The site is generally rectangular, bisected by the right-of-way for the possible extension of Piilani Highway, and runs from the mauka boundary of the existing Wailea resort (at about the 300-foot elevation) up the westerly flank of Haleakala to the 700-foot level. Makena Resort lands southerly abut the holding.

Honuaula will be a comprehensively-serviced, residential-oriented development containing 400 home sites, 750 multi-family units, 100,000 square feet of commercial space, an 18-hole golf course and clubhouse facility, three public parks, extensive open space and a variety of community features. With 450 workforce housing/affordable units planned for local families along with a wide variety of other product types, full-time Maui residents will comprise a primary target demographic for the project. Pacific Rim non-resident, second/vacation home purchasers (specifically from North America), will also comprise a major purchasing segment.

The pertinent results from our studies are presented within the following summary report, which focuses on a series of tables and models with brief narrative describing the research, analytical process and conclusions.

As part of our investigation program, we have inspected the subject property and its environs, researched the Maui residential and commercial real property market sectors, interviewed knowledgeable parties active in the regional economy, reviewed government statistics, policies and publications, accessed on-line databases, and compiled materials from published and private sources.

All conclusions presented herein are subject to the identified limiting conditions, assumptions, and certification of The Hallstrom Group, Inc., in addition to any others specifically set forth in the text. All work has been completed in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on our investigation and analysis, we have concluded:

- There will be meaningful amounts of unmet demand for housing units in the Kihei-Makena study area relative to proposed supply over the coming two decades despite the current down cycle status of island real estate.

- Honuaula has the attributes necessary to be strongly competitive in the regional residential market across a wide-spectrum of pricing, unit types and ownership sectors.

- We forecast the proposed residential and commercial inventory of the subject will be fully absorbed within circa eleven years from the anticipated commencement of pre-sales in 2012 (mid-point demand estimate).

- Construction of the community will provide some $1.2 billion in investment into the Maui economy, creating thousands of worker-years during development and stabilized employment for hundreds after completion.

- Maui County will realize a net fiscal gain (increased tax receipts versus added costs) of $41.8 million during build-out and $1.6 million dollars annually in tax receipts relative to government expenses associated with the project.

- The State of Hawaii will receive net fiscal gains of $97.2 million during the development period and an annual stabilized positive cash flow of $1.5 million after build-out.

We appreciate the opportunity to be of service to Honuaula Partners LLC in regards to this prominent holding and long-envisioned project. Please contact us if further discussion or detail is required.

Respectfully submitted,

THE HALLSTROM GROUP, INC.

Tom W. Holliday
Supervisor/Senior Analyst

/as

THE HALLSTROM GROUP INC.
REAL ESTATE
CONSULTANTS
& APPRAISERS

Market Study,
Economic Impact Analysis, and
Public Costs/Benefits Assessment

PROPOSED HONUAULA COMMUNITY

Located at

Wailea, Maui, Hawaii

Prepared for

Mr. Charlie Jencks
Goodfellow Brothers, Inc.
and
Honuaula Partners LLC

ARBITRATION
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ASSIGNMENT AND PRESENTATION SUMMARY

Honuaula will comprise approximately 670 acres located on the westerly flank of Haleakala, fronting the mauka border of the existing Wailea Resort, and extending inland about one mile to the 700-foot elevation level. The site is bisected by the right-of-way for the possible southerly extension of Piilani Highway. It is within the Kihei-Makena planning and market "corridor" and has long been proposed for urban expansion of the Kamaole/Wailea community.

Capitalizing on a moderately sloping, scenic site having favorable climate and superior view potentials, which abuts similar existing urban uses, the subject development is intended to be a leading edge master planned sustainable community offering a wide spectrum of uses for both resident families and non-resident owners. The current design calls for: 750 multi-family units, 450 of which will be priced and marketed according to County affordable/workforce housing guidelines; 400 single family lots/homes; 100,000 square feet of commercial space; an 18-hole golf course and clubhouse facility; and a variety of parks, open spaces and public uses.

If there is sufficient market demand, Honuaula will be transformed from a vacant bulk acreage holding having limited agricultural use potentials and nominal regional economic benefit, into an asset providing needed affordable/workforce housing, producing thousands of "worker years" of employment and wages, attracting significant new capital investment, and stimulating spending via upper-income non-resident owners. This activity will in turn create employment and business opportunities for Maui residents and an expanded tax base for the state and county.

The Hallstrom Appraisal Group, Inc., assignment was to analyze the proposed Honuaula community from a real estate market perspective and to identify and quantify probable market and economic impacts associated with the master plan

in light of competitive, regional, prevailing and forecast trends in order to answer four basic study questions:

1. Is there sufficient demand to absorb the various "marketable" components of the subject project during a reasonable exposure period given competing developments and projected statewide/regional market trends?

2. Will the subject be an appropriate use of the underlying site relative to market needs, standard land planning objectives, accepted master plan design characteristics, and the area environs?

3. What will be the general/specific and direct/indirect economic impacts on Maui resulting from the undertaking of the subject development via employment, wages, business operations, population, property values and other economic activity related to the real property asset?

4. What will be the effect on the state and county "public purse" from the project in regards to costs of services required to service the Honuaula population versus increased tax/fee receipts?

These issues were addressed through a comprehensive research and inquiry process utilizing data from market investigation, governmental agencies, various Hawaii-based media, industry spokespersons/sources, on-line databases, and published public and private documents.

The pertinent results of our study are highlighted in the following summary report which contains concise supporting narrative, tabular data and other materials contributing to our conclusions. The presentation is divided into nine sections:

1. **Primary Study Conclusions**
2. **Economic Outlook and Regional Overview**
3. **The Subject Property and Proposed Project**

4. **Market Study of the Kihei-Makena Residential Sector**
5. **The Maui Resort/Residential Sector**
6. **Appropriateness of the Subject for Residential Use and Absorption Estimates**
7. **Quantification of Demand for Subject Commercial Uses**
8. **Analysis of the Economic Impacts of the Proposed Development**
9. **Assessment of the Public Costs/Benefits Associated With the Project**

The primary source information regarding the subject used in our study were: maps, master plans, unit counts, density estimates and background materials provided by PBR Hawaii; infrastructure costs estimates and associated materials supplied by Honuaula Partners LLC; Maui County ordinances 3553 and 3554 regarding the proposed subject development, materials relating to the on-going analysis being completed for the Kihei-Makena community plan update; and, data from our files from numerous studies of the subject property undertaken over the past three decades.

The Honuaula site and environs have been viewed by our firm on many occasions and specifically for this assignment during early April 2009.

PRIMARY STUDY CONCLUSIONS

Based on our analysis of the subject property, its environs, and envisioned development we have reached the following conclusions as of June 1, 2009 regarding the probable market standing and economic impacts of the proposed Honuaula community:

- Although Hawaii is in the midst of a cyclical down real estate market, expectations are activity will generally recover towards long-term average levels during 2011-12,

and that another upcycle will inevitably ensue. And, regardless of the current recession, there continues to be an unmet need for affordably-priced housing in the Kihei-Makena study area.

- The demand for new residential units in the Kihei-Makena Corridor will be from 7,000 to 10,846 units over the next 22 years (to 2030). The number of existing unsold and planned units, excluding Honuaula, total some 5,160 units. This indicates there will be a minimum shortfall in the sector of from 1,840 to 5,686 new residential units; with a mid-point under-supply of 3,763 units. Our analysis clearly demonstrates sufficient unmet demand will be available to absorb the 1,150 units of subject inventory.

- The subject property is a superior location for the proposed development in regards to access, views, slope, shape, complimentary existing adjacent uses, climate and ability to provide a quality lifestyle for a wide-range of owners and end-users. It will have the attributes necessary to be highly competitive in all its product sectors, and will capture a reasonable market share during its offering period.

- We estimate the 450 affordable/workforce subject residential units will be fully absorbed (sold-out) within an 8-year marketing period, and the market-priced units within 12-years. The 100,000 square feet of non-golf club/commercial space will require about seven years to achieve full-occupancy. Our annualized mid-point absorption estimates are summarized on Table A.

- Honuaula will generate circa $1.2 billion in capital investment into the Maui economy. The construction and on-going operations/maintenance of the single family homes, multi-family units, commercial village businesses, golf course and community facilities will provide an estimated 9,537 "worker-years" of employment and $480 million in total wages over a 13-year build-out period. After completion the community

TABLE A

SUMMARY OF SUBJECT ABSORPTION PROJECTIONS BY PRODUCT TYPE
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Using Rounded Mid-Point Demand Estimates

	Residential					Golf Course Clubhouse	
Year	MF-Affordable (1)	MF-Market	Single Family	Total	Commercial Village (2) (in Sq. Ft.)	Golf/Club-Oriented Operations (in Sq. Ft.)	Non-Golf/Club Businesses (in Sq. Ft.)
2012	60	16	25	101		12,000	12,000
2013	60	22	30	112	37,000		
2014	60	28	35	123	25,000		
2015	60	28	40	128			
2016	60	28	40	128			
2017	60	28	40	128	18,000		
2018	60	28	40	128	8,000		
2019	30	28	40	98			
2020		28	40	68			
2021		28	40	68			
2022		28	30	58			
2023		10		10			
Totals	**450**	**300**	**400**	**1,150**	**88,000**	**12,000**	**12,000**
Average Annual Rate of Absorption During Sales Period	**56 Units**	**25 Units**	**36 Homes**	**96 Units/Homes**			

(1) Does not include 250 affordable-priced units located off-site to which the developer has committed, including 125 rental apartments and 125 for sale condominiums all priced for households making 100% or less of the Maui median household income level.

(2) This component to be zoned "VMX" which allows for mixed commercial and residential use. For purposes of this assignment it is assumed that both sites will be used for commercial space, with the 4.7 acre northerly parcel being developed first, followed several years later by the 1.3 acre southerly parcel.

Source: The Hallstrom Group, Inc.

will support some 518 permanent jobs with an annual payroll of about $19 million and host an estimated $97 million in economic activity per year.

- At build-out the de facto population of the project will be some 1,833 persons of which 1,541 will be full-time residents (with 370 school-age children) and 292 will be comprised of non-resident owners and their guests periodically using their vacation unit/home. The total resident household income will be $68.9 million annually on a stabilized basis (in constant 2009 dollars), and discretionary expenditures into Maui businesses by the Honuaula population will be some $77 million per year.

- The project will have nominal impacts on the socio-economic aspects of the community that relate to real property issues. Property values in the Kihei-Makena sector are largely driven by external, cyclical economic factors and its existing cumulative mass, not any single new project. Further, the envisioned prices of the subject product will fall at and below the existing range found within the abutting developments; Wailea Resort to makai and Maui Meadows to the north. The master plan calls for substantial numbers of affordable units. There will be minimal direct in-migration as a direct result of the operating components of the community, and what is created will be readily met via on and off-site projects of the developer.

- The immediate impact of the "weight" of the Honuaula population on regional real property infrastructure will be offset by public fees of some $25,240 per unit, or more than $29 million in total, to be paid into traffic, school and park funds. An additional $5 million will be contributed towards the Kihei Regional Park, another $550,000 towards the South Maui Police Station, and a two-acre building site will be dedicated for a future fire station.

- The County of Maui, beyond its share of the impact fees, will receive some $55.5 million in real property tax

receipts during the construction period for the project, and annual collections of $7.25 million on a stabilized basis. The "per capita fair contribution" for the costs of providing County services to the Honuaula de facto population will be circa $5.65 million per year, resulting in a net fiscal gain to Maui of $1.6 million annually. The "actual" costs of additional services required as a result of the development would likely be less than these "per capita" estimates.

- The State of Hawaii will receive a net revenue gain after operating costs of $97.2 million in taxes during the 13-year build-out, and an estimated $1.5 million annually stabilized thereafter.

The major economic impacts and public costs/benefits conclusions are summarized on Table B.

ECONOMIC OUTLOOK AND REGIONAL OVERVIEW

Current Status

The Hawaii real estate market is typified by widely-swinging, multi-year cycles, with periods of extreme demand and hyper-appreciation followed by ones of recessionary pricing and low activity. Much of the market impetus is a result of external economic factors in conjunction with the limited island land base.

We are currently at the nadir of the cycle, in a down period showing soft demand and weak pricing. There are emerging signs the trend has bottomed-out and stabilization and movement into recovery/growth is expected during the next several quarters.

Although omens of underlying mainland economic weakness and softening in a variety of real estate sectors began to appear on Maui by early to mid-2007, the critical event foreshadowing a broad downturn in the primary study area was the collapse of

TABLE B

SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS
AND PUBLIC COSTS/BENEFITS
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Analysis Item	During Build-Out/Absorption Period	Stabilized Annually Thereafter
Direct Capital Investment	$1,216,246,800	
Local Contractor's Profits	$121,624,680	
Local Supplier's Profits	$46,284,872	
Worker Years of Jobs	9,537	518
Employee Wages	$479,975,118	$19,039,212
De Facto Owner/Guest Population		1,833
School-Age Children		370
Full-Time Resident Household Income	$496,911,000	$68,875,500
Owners/Guest Expenditures (On & Off Site)	$513,882,405	$77,034,710
Total Operating Gross Receipts	$383,730,000	$96,920,000
Outside Patronage Expenditures	$196,704,000	$49,176,000
Total Maui "Base" Economic Impact	$1,602,709,475	$145,249,922
Total Overall Statewide Economic Impact	$3,205,418,950	$290,499,843
County of Maui Gross Tax/Fee Receipts (1)	$81,116,659	$7,251,075
State of Hawaii Gross Tax/Fee Receipts	$165,422,400	$11,344,005
Maui Costs of Services (per Capita)	$39,324,805	$5,649,486
State Costs of Services (per Capita)	$68,200,408	$9,797,817
Maui Net Benefits or (Loss)	$41,791,853	$1,601,589
State Net Benefits or (Loss)	$97,221,991	$1,546,188

(1) Does not include $5 million contribution towards Kihei Regional Park, payment of $550,000 towards South Maui Police Station, and a two-acre site for future fire station.

Source: The Hallstrom Group, Inc.

Aloha and ATA airlines in April 2008. This abruptly decimated tourism, leading to increasing unemployment, business failures, slackening of residential and contractor demand, and modified spending levels island wide.

Subsequent external events exacerbated the situation, including recessionary movement in the US and throughout the Pacific Basin, rapidly fluctuating fuel prices, a significant tightening of available credit, and a major decline in stock/equity markets.

As a result, the unemployment rate on Maui, traditionally among the lowest in the nation, has well more than doubled over the past year now standing at 8.5 percent, up from the 3.3 percent rate of April 2008. Tourism indicators have declined by 10 to 20-plus percent, and gross total expenditures (residents and visitors) was down by more than two percent last year relative to 2007 with the annualized outlook for 2009 showing a similar decline. A previously fast growing population has been somewhat stabilized by out-migration and a stagnation of gross household income.

Inevitably, there has been a dramatic slowing in real estate across the spectrum, with commercial property cash flows weakened by slowed business activity and vacancies; lack of capital for investment/development opportunities; and a retreat by non-resident purchasers. One of the only sectors for which there remained demonstrable demand, the affordable resident housing segment, was stymied by stiffened loan requirements, job losses, limited lending capacities, and diminishing household income.

From a real property perspective, the current downturn is the most substantial since the 1981-82 recession, outpacing the 1990-1994 decline in the aftermath of the "Japanese bubble", and the post-9/11 period.

Outlook

Notwithstanding the near-term turmoil, which will require many months to be resolved, mid to long-term indicators and foundational economic attributes remain favorable for both

Maui and the Kihei-Makena study area. An increasing population base via natural growth and inevitable in-migration, coupled with the intrinsic worldwide demand for Maui tourism and its limited land resources, will result in a renewal of the well-established, highly-cyclical nature of the local real estate market along historic trend lines.

Over the coming two decades, through 2030, the resident population of the Kihei-Makena planning area is forecast to increase by 11,000 to 15,000 persons, a gain of 40 to 54 percent above current levels. These households will pump nearly a quarter-billion dollars annually into the local economy. Visitor counts in the study corridor will also grow, as will their expenditures by an estimated $1.2 billion per year over the next 22 years. These users/consumers and their discretionary spending will be the basis for expanding future economic activity and land use demand.

Additionally, as Maui becomes a more diversified economic and urbanized community, new business opportunities will emerge outside the traditional fields.

The near-term focus is on when recovery can be expected in the Hawaii and Maui economies. Generally, the State lags behind the mainland by one to two quarters within the economic cycle; as demonstrated by Hawaii being one of the last areas of the country to move into the current recession. Similarly, it is expected that a return to growth will be delayed by several months behind the rest of the country during the coming recovery.

We anticipate that Hawaii will continue in its current malaise through the remainder of the year, reaching stabilization in its downward move during the fourth quarter. Upward recovery is anticipated to begin by mid to late 2010, with a return to meaningful, if limited, growth in 2011.

In their second quarter 2009 *Outlook for the Economy*, the State Department of Business, Economic Development and Tourism (DBEDT) depict a continuing slowdown through 2009, with the possibility of stabilization reached by year-end. Gross Domestic

Product (GDP) for the state is forecast to be off 1.9 percent for the year relative to 2008, visitor spending down nearly eight percent, and personal income off one percent.

For 2010, the department is forecasting GDP expansion of 0.4 percent over 2009, gains of more than five percent in visitor spending, and nearly two percent in personal income. Thereafter they project:

> "Beyond 2010 the gradual recovery is expected to continue with modest job growth of around 0.5 percent for 2011. Visitor arrivals should show a healthier, 4.3 percent increase in 2011. Hawaii's GDP growth in 2011 is expected to reach 0.9 percent. This gradual recovery will continue into 2012, assuming national and international economic conditions continue to improve."

The DBEDT publication can be viewed at:

http://www.hawaii.gov/dbedt/info/economic/data_reports/qser

Forecasts by the University of Hawaii Economic Research Organization (UHERO) throughout the recession have been slightly to moderately more pessimistic than the DBEDT estimates. Their modeling depicts a continuing flat to slightly-off economy in 2010 before notable gains commence in 2011-12. Yet, their current perspective on the depth of the down-cycle and recovery potentials has adopted a markedly more optimistic tone relative to past reports:

> "We are now approaching the point where the balance of risks is more evenly weighted between positive and negative. The cycle of job and income destruction is still ongoing, and certainly deeper near-term losses are possible. But recovery will come, and economic forecasters are notorious for their inability to predict when the economy will turn. Considering the size of the economic drop, it is possible that we may see a somewhat bigger bounce during recovery than currently anticipated."

The UHERO economic forecast reports can be viewed at:

http://www.uhero.hawaii.edu/

Throughout our analyses, we have adopted the perspective that the Kihei-Makena real estate market will remain slow for the remainder of 2009, with activity down more than half from historic annual averages, increasing slightly in 2010, and moving into the beginnings of a typical up cycle in 2011.

As Honuaula residential and commercial product is not expected to be offered for pre-sale/lease until late 2012, at the earliest, the current recession is not expected to have a meaningful impact on the marketability of the subject inventory. The real estate sectors are anticipated to be in full recovery mode by this time, and it is highly probable that during the decade-plus absorption period of the project another full economic cycle will transpire.

Regional Overview

The "Kihei-Makena Corridor", which comprises the primary study area and encompasses the subject property, is one of the larger urbanized communities on the neighbor islands, and one of the most important visitor destinations in the State. It has been a focal point for a wide variety of urban land use development on Maui for several decades

At present, there are some 27,750 full-time residents in the region, housed in an estimated 13,500 units. Many residents work in the community businesses and resorts, although Kihei has long-been planned to provide a centralized housing location for workers throughout the island. The gross household income among area residents is estimated at about $1 billion.

The daily tourist population in South Maui averages more than 20,000 visitors, utilizing nearly 8,000 transient vacation units, and spending some $1.25 billion annually (current dollars).

The attractions of Kihei for residents and visitors are its exceptional climate, extensive shoreline, central location and supporting facilities.

Temperatures in the area average 71 degrees in winter, and 78 degrees in summer. Annual rainfall averages less than 14

inches, typically falling in a limited number of strong storms, making the area among the more arid stretches in the state. The area is generally considered one of the most desirable micro-climates in islands (particularly from Central Kihei south).

There are a string of full-service beach parks along the coastline, with schools, mauka parks, recreational amenities and public services spread through the community. Kahului Airport and Harbor provide portals to the world only a dozen miles away, and the island's major highways are readily accessible from Kihei. Apart from "big box" stores and major hospital services, Kihei-Makena offers the comprehensive range of commercial activities, land uses, and infrastructure creating a modern urban environment.

Kihei-Makena has weathered the current downturn moderately, to marginally better, than other neighbor island locales. While there has been some business closures, it has been well less than that experienced in West Hawaii and on Kauai. But, most operations have cut back on staffing, and there are wide-spread concerns over viability should the recession continue into another year.

Following past off-cycles, South Maui has demonstrated the ability to rebound faster than most neighbor island sectors, a function of its large working-class resident population and a highly competitive tourism infrastructure. We anticipate it will stabilize then recover in concert with statewide trends commencing in 2010-11.

The study area population and business activity is anticipated to continue growing over the coming two-plus decades (to 2030), albeit at a slightly slower rate then during the 1980s-90s. This growth will require additional lands be designated for residential, commercial, resort, recreational, park/open space and other uses in order to provide a sustainable, quality lifestyle for residents and visitors.

As part of the on-going General/Community Plan Update process, the County of Maui has completed a series of studies and planning activities over the past several years in order to

quantify and provide for the expected demands of the increasing island population over the mid to long-term. We have incorporated the findings and forecasts from these efforts within our market study and economic impact assessment.

Among the source materials contributing to our analysis:

- "*Maui Island Housing Issue Paper*", John Knox & Associates, Inc., December 2006.
- "*Land Use Forecast Technical Resource Study*", Plan Pacific, Inc., November 2006.
- "*South Maui Development Projects Map*", Long-Range Planning Division, Maui County Planning Department, July 2008.
- "*GPAC Directed Growth Maps*" and Unit Count Recommendations, General Plan Advisory Committee, March 2009

Our conclusions are generally consistent with the range of demand and supply forecasts identified in these materials, and they are supportive of the need for Honuaula in order to provide a stabilized housing market for area residents and non-resident purchasers.

In addition to the currently in-force Kihei-Makena Community Plan Update (1998), these current data sources are cited within the report narrative and/or tables.

THE SUBJECT PROPERTY AND PROPOSED PROJECT

Near rectangular in shape, the 668.997-acre subject property is bounded by Wailea Resort on the makai side, Maui Meadows subdivision to the north, the Makena Resort to the south, and Ulupalakua Ranch range lands to mauka. Situated on the western slope of Haleakala, the site has a moderately-sloping, undulating topography, dropping from 700 feet above sea level

along its inland boundary to circa the 300 feet elevation along its makai property line. This provides panoramic views of the coast and neighbor islands from nearly all points of the property.

The climate in the area is highly desirable; dry, warm, and subject to lesser intensity trade winds. It has direct access onto the region's main thoroughfare, and proximity to the commercial and employment centers of Kamaole and Wailea. It abuts similar urban use types as proposed in the master plan.

The holding was originally labeled the "Makena 700" property when first considered for development nearly 30 years ago as a long-term expansion for the Wailea Resort node. This was in reference to its acreage, which was reduced to its current size by the deeding of two parcels to other interests totaling 31.003 acres. The largest was a 30-acre right-of-way corridor, which bisects the property, and could possibly be used for a future extension of Piilani Highway (not under meaningful consideration at this time). The remaining 1.003 acres were deeded to Maui Electric.

The property is located about twelve miles from the Kahului Airport and is within two miles of shops, beaches, and resort centers. Four-lane Piilani Highway allows direct high-speed access to the island's highway system into Central and West Maui.

Currently, the subject property is in a natural state of shrub, brush, and Keawe tree growth. The somewhat rugged terrain is composed of porous lava rock covered lightly with top soil sufficient to allow tree and plant growth typical of Wailea/South Kihei's arid, warm climate.

In its initial master planning known as "Wailea 670", the intent was to provide resort-oriented expansion lands and the associated employment and tax revenues created via them for future generations as the lands in Wailea Resort were built-out.

Following significant evolution over time in response to community input, the master plan now focuses on providing a

broad spectrum of residential-oriented uses, from affordable to resort-quality, with a minor supporting commercial component. Transient, timeshare and other intensive resort uses will not be permitted under the County-approved guidelines.

The current Honuaula design calls for development as follows:

Land Use	Acres	Units	Density Per Acre
Single-Family Residential	244	400	1.6
Multifamily Residential	115	750	6.5
Commercial Mixed-Use	6	88,000 SF	-
Golf Course	186	18 Holes	-
Clubhouse Facility	5	24,000 SF	-
Open Space/Parks/Other	112		
Total	668	1,150	

Within the multifamily component will be 450 units meeting affordable pricing guidelines established by the Maui County Department of Housing and Human Concerns, Housing Division in concurrence with the County's workforce housing ordinance. These units are anticipated to range in size from 600 to 1,000+ gross square feet of living area, and be built at densities of 6.2 to 15.8 units per acre. They will be located in the northerly area of the project site, near the neighborhood commercial mixed-use component and with ready access onto Piilani Highway.

All of these units will be subject to strict purchaser limitations insuring they provide housing for full-time resident families earning between 80 and 160 percent of average Maui household income. In addition to these on-site affordably-priced units, the developer has committed to constructing another 250 units off-site (125 rental and 125 for-sale) with prices affordable to households earning 100 percent of less of the County median.

The remaining 300 multifamily units at Honuaula will be divided between "Townhomes" ranging in size from 1,600 to 2,000 square feet and built at a density of 6.7 units per acre; and, ""Luxury Villas" which will be from 2,000 to 2,800-plus square

feet at an average density of 3.8 units per acre. Our analysis indicates that about half the "Townhomes" and one-quarter of the "Luxury Villas" will be purchased by resident Maui households, with the remainder being bought by non-residents for second/vacation home use.

The 400 single family lots will range in density from 0.6 to 3.3 per acre, with many having direct golf course frontage and others half-acre and larger in size abutting the open Ulupalakua Ranch lands. Finished homes are expected to range from 2,500 to upwards of 5,000 square feet of living space. We anticipate that circa 20 to 25 percent of this product will be bought by residents.

Two Mixed-Use Village sites will be located at the gateway to the subject community, on the mauka side of Piilani Highway at its intersection with Wailea Ike Drive. Comprising about six acres, it is anticipated these pods will be used primarily for neighborhood and service commercial meeting the needs of the subject population as well as other currently-unserviced neighborhoods in the immediate vicinity (Maui Meadows and Wailea North Mauka), and passer-bys.

The gross floor area of these centers is expected to total about 88,000 square feet.

An 18-hole championship-quality golf course will be spread across the southerly portion of the site, creating extensive amenity frontage for the residential component. The course will be primarily operated as a membership club, however there are provisions to allow some public daily fee play. Current plans call for 375 memberships to be offered, with the majority expected to be purchased by homeowners in the Honuaula community.

The clubhouse is envisioned to contain a golf-oriented facility of circa 12,000 square feet (including pro shop, storage/support areas, bar & grill, and fitness center/spa), and up to 12,000 square feet of additional general commercial space.

There will be three parks totaling six acres located in the higher density areas of the project, a 22-acre "native plant preserve", a fire station site, and more than 30 acres of other open space/greenbelts (many with pathways).

From a market perspective, the proposed master plan embodies the range of characteristics necessary to be competitive across virtually the entire spectrum of residential demand in the study area. It will offer a broad range of product types and prices within a comprehensive community containing supporting commercial, service and recreational facilities and providing for a high-quality lifestyle in a moderate to low density urban environment.

We project it will become readily established in the regional market and able to capture a reasonable to exceptional share of expressed demand within both the resident and non-resident purchaser segments.

THE KIHEI-MAKENA CORRIDOR RESIDENTIAL MARKET

Our analysis of the Kihei-Makena residential market is divided between two perspectives:

- Macro Analysis -- Assessing the overall, long-term demand and supply trends in the competitive sector; and

- Micro Analysis -- Focusing on the current demand/supply levels in the subject segment.

The study opens with a brief overview of residential development in the study area followed by an analysis quantifying the demand for additional housing units in the Kihei-Makena Corridor based on population, buyer demographic, and real estate trends. Existing and proposed inventory supply is then identified in regards to number of units, development timing and product type. To the extent mid to long-term demand exceeds supply in the study area, the

general (or macro) climate for the proposed subject development is favorable.

The second part of the study reviews current market activity in the region, including the status of the market cycle, pricing and appreciation levels, and sales velocity. As noted, given the initial offerings of Honuaula are at least three years in the future, the near-term indicators are not of substantial import relative to the mid to long-term macro forecasts. However, it does establish the level of new overhanging supply which has yet to be absorbed and establish a timely foundation for commencing projections.

Prior to the 1970s, Kihei was a small coastal village with fewer than 3,000 residents, with very limited resort-oriented and commercial uses. During that decade, the development of Wailea Resort coupled with numerous condominium projects along South Kihei Road served to create a desirable visitor destination. At the same time, Kihei was identified as the most appropriate location for resident housing for the employees of the South and West Maui resort areas and to support the natural and in-migrating population growth of the island.

By 1980, the population had more than doubled to about 7,000 persons, substantial commercial space was being developed, and the region was well-established as a desirable vacation locale offering a wide variety of resort units.

While the near-makai areas continued to be dominated by resort/transient-oriented and non-resident use and ownership, the inland areas of Kihei began being developed at a rapid pace for local resident households. Over the next two decades, the resident population more than tripled.

Initially during this surge, most resident-oriented product was developed as vacant home sites which were then (for the most part) built-out individually as "custom" homes. However, over-time the trend was towards larger builders constructing spec tract homes. Today, just over 60 percent of the residential inventory in the study area is of a single family type.

Some full-time residents did locate into makai multifamily units, and there was a surge of resident-oriented interior condominium/apartment development, so that presently about 40 percent of regional households are in multifamily projects.

There are circa 13,500 residential (non-resort) units in the Kihei-Makena region, and long-range planning indicates there will be a need for an increase of 50 to 80 percent more in order to service the anticipated demand created by community growth. It is expected that the division in product type will continue to favor single family homes/lots, but that condominium development will slightly increase as a percentage of the total market as available entitled, serviced land becomes further scarce and unit prices increase over time.

Until earlier in this decade, most of the interior subdivisions and multifamily development was purchased by resident households; the intended users from a planning perspective. But, given the desirability of the region among vacation home purchasers and the exceptionally high prices of in-resort units, well-capitalized non-resident buyers began to acquire homes and units in mauka non-resort developments; often out-competing the local segment for scarce inventory.

Studies done for the County and which we have completed, indicate that circa 25 to 35-plus percent of demand for residential units in Kihei-Makena is created by non-resident purchasers. This trend is anticipated to continue unabated apart from cyclical influences.

While purchaser restrictions can be/are applied to some categories of housing (specifically lower income and workforce housing types), there will always be competing non-resident purchaser pressure on the market-priced inventory. Thus, in order to achieve market stability and sufficient supply for resident families, it is necessary to provide suitable types and amounts of product to satiate this demand which will present itself within resident neighborhoods.

Notwithstanding brief periodic downturns, as is presently being experienced, residential construction in Greater Kihei has

progressed at a generally consistent and fairly rapid pace over the past three decades; a trend we anticipate will continue as long as suitable lands are made available for development. Among the primary reasons for this conclusion are:

- The region provides for a quality, comprehensive, modern, suburban lifestyle.
- There is a scarcity of alternative, entitled acceptable development areas throughout the island.
- In addition to the in-community availability of a broad range of commercial, industrial and service businesses, Kihei is proximate to goods, services, and support uses in Central Maui.
- Relative ease of access to major South Maui and Central Maui employment centers and other areas of the island.
- A warm, generally dry climate considered highly desirable by many residents and particularly favored by non-residents.
- Superior view panoramas from many interior locations.

Relative to most neighbor island areas, the balance between demand and supply in Kihei-Makena has been more stable; although like elsewhere the market remains somewhat under-supplied (just not acutely) from long-term and affordability perspectives. There remains significant unmet needs for additional affordable housing opportunities.

Macro Analysis

Projecting the probable mid to long-term regional demand for the residential units in the study area is a three-step process:

1. Quantification of Kihei-Makena Housing Unit Demand -- Estimating the need for additional housing units in the study area based on population, demographic, vacancy and income characteristics.

2. Identification of Current and Proposed Inventory -- Quantification of unsold supply and planned residential development in the study area during the expected sales period for Honuaula.

3. Indicated Conclusions -- Correlation of quantified market demand and supply indicators.

We have assumed the subject units will be priced as previously described, with 450 multifamily units meeting County workforce housing guidelines and developer agreements, and the remainder priced at general market levels competitive with other new residential product in the study area and attracting typical buyers.

It is our understanding the developer will meet affordable housing criteria established/negotiated with State and County planning agencies, and in conformance with Maui ordinances, via the on-site 450 workforce housing units and an additional 250 moderate to low income condominium and apartment units elsewhere on the island.

Quantification of Kihei-Makena Housing Unit Demand

We have projected the demand for residential units in the Kihei-Makena study area using standardized formulae employing population forecasts, household size trends, and other market-based factors as follows:

RP/AHS = TRUR X (1 + (VA + NRPA)) = TMUD

Where:

RP is the Resident Population
AHS is the Average Household Size
TRUR is the Total Resident Units Required
VA is a Vacancy Allowance
NRPA is a Non-Resident Purchaser Allowance
TMUD is a Total Market Unit Demand

Each of the variables in the formula is based on historic statistics compiled by the Federal Home Loan Bank, U.S. Census Bureau, State of Hawaii DBEDT, County of Maui Planning Department,

other recognized governmental sources, and researched market data. Of specific relevance was the Land Use Forecast Technical Resource Study completed in 2006 which contains housing unit demand projections covering the same geographical area and time frame (to 2030).

These compiled historic and prevailing indicators were translated into estimates based on temperate trending interpretations. Our emphasis was on letting the data "speak for itself" via our projections, as opposed to making large-scale adjustments for subjectively anticipated lifestyle or market evolutions.

In this regard, our forecasts bracket the most probable range for future housing requirements in the Kihei-Makena Corridor, with the mid-point providing a moderate, and most likely achievable, indicator. However, our conclusions could be understated if some movements continue as strongly as in recent years; such as the trend towards smaller household sizes and an increasing influx of non-resident purchasers into the market.

The "Total Market Unit Demand" conclusions resulting from application of the model are intended to quantify the total number of residential housing units of all types which will be needed in the study region over a 22-year projection period (2009 through 2030) in order to manifest a reasonably stable market with all purchaser/tenant demand segments served.

With the dramatic slow-down in activity during the recent recession, the South Maui housing market has fragmented in regards to the balance between demand and supply. The resort/luxury end of the spectrum is oversupplied, with hundreds of unsold units and lots developed in response to the mid-decade boom period which have yet to be absorbed. Conversely, the affordable end of the market remains undersupplied relative to potential demand (assuming appropriate inventory and mortgage loans were competitively available).

The goal of our market demand model was to quantify the number, pricing structure, and types of units required.

The factors comprising our housing demand equation can be summarized as follows:

Resident Population (RP) -- This variable utilizes correlated population and distribution estimates from the State, County and our firm for the study area. Specifically, in order to be in concert with on-going community plan research and forecasts, we have tested the population projections made by the Maui Planning Department in their 2006 report "*Socio Economic Forecast: The Economic Projections for the Maui County General Plan 2030*" (GP 2030) which forms the statistical foundation for the updating process.

The Long-Range Planning models forecast a resident population of between 38,757 ("baseline" model) and 42,741 persons ("historical trend run" model) in the Kihei-Makena Community Plan study area by 2030; an increase of some 40 to 54 percent and 11,000 to 15,000 persons over the current estimate of 27,750. The projected expansion in resident counts is equivalent to a compounded annual growth rate range of 1.5 to 2.0 percent.

These County-based population projections served as the basis of our housing demand modeling scenarios. The "baseline" estimates served as minimum projections (Scenario One) and the "historical trend run" figures as maximum projections (Scenario Two). By correlating the two scenarios we arrived at a mid-point which is cited throughout the remainder of the market study.

Average Household Size (AHS) -- This factor was calculated using the data as provided by the above-cited sources and census figures. The 2000 US census indicators for the study area were at about 2.6 persons per resident household, moderately below the island-

wide figure of 2.9 persons. Currently, the Kihei-Makena AHS is estimated at 2.51 persons.

The county planning data forecasts average household sizes in South Maui will trend downward over the study period, declining to circa 2.4 persons by 2030. This is in keeping with national statistics. Most Hawaii-oriented sociologists contend the movement to smaller household sizes will continue into the future; forecasting longer life-spans, the influx of single persons attracted to the climate and employment opportunities, and the tendency towards fewer children.

We project the average household size level in the study area will stabilize by the Year 2030 at between 2.37 and 2.42 persons, a decline of 0.17 to 0.26 percent compounded per year. These estimates were coupled with the minimum and maximum scenario models.

Total Resident Units Required (TRUR) -- This figure is arrived at by dividing the subject area resident population (RP) by the average household size (AHS). It is indicative of the minimum number of residences which would be required to meet basic market needs, assuming there were no vacant units, none uninhabitable due to on-going repair or deleterious conditions, and none purchased by non-resident persons.

For a market to be considered stable (and nominally operative) with acceptable appreciation rates and quality lifestyle opportunities, allowances for such factors must be made.

Vacancy Allowance (VA) -- Governmental agencies are on record during the past three decades calling Maui one of the tightest residential markets in the nation, consistently expressing concerns of a deteriorating economy and community structure unless major steps are taken over the long-term to address the endemic shortage. The historic undersupply condition relative to resident and non-resident demand levels is a primary

reason Maui housing prices are on average among the highest of any locale in the country.

According to HUD, the Urban Institute, and other sources, a "healthy" market has a minimum vacancy level of five to six-plus percent of the total number of units in the inventory. This allows for uninhabitable units, units under repair, seasonal fluctuations, a transitional housing margin, a degree of mobility potential, and the ability to service periodic unanticipated population increases. A "slack" in unit occupancy also serves as a margin to cushion against hyper-appreciation during strong demand periods.

Given the history of the Maui housing market and its inability to keep an acceptable vacancy pool available, we believe it will be exceptionally difficult for the desirable vacancy allowance of more than five percent to be achieved on the island during the foreseeable future.

In our "minimum" demand models we have used a nominal vacancy rate allowance of 3.0 percent of the total residential unit demand. In the "maximum" scenario formula, we have tested a more desirable vacancy rate allowance of five percent of the Total Resident Units Required figure.

Non-Resident Purchaser Allowance (NRPA) -- While some non-resident purchasers of non-resort housing units are investors who seek to rent them to residents to cover debt service obligations, an increasing number are buying Hawaii residential units for personal (family and friends) second-home use, business reasons, or other non full-time residential use.

These units are not available to meet resident housing demands and are effectively withdrawn from the inventory pool. An allowance must be made for these residences in the general community, which are not to be confused with those specifically intended for tourist-

oriented transient rentals (i.e., within a condominium/hotel project in a resort-classified area).

On the neighbor islands and in Waikiki, there are many units in complexes or subdivisions designed for general residential use, which are owned by non-residents and may sit vacant the majority of the time.

Our research indicates most newer "residential" projects in neighbor island vacation (non-resort) communities such as Kailua-Kona, Kihei and Poipu have upwards of 30 percent non-resident, investor-owned units/homes. In many in-resort developments (particularly Hualalai, Mauna Kea Beach, Mauna Lani, and Kapalua), upwards of 90 percent of the residential inventory is held by non-residents. However, some resort communities have successfully bridged the gap between resident and non-resident ownerships, such as Wailea and Keauhou, and have 20 to 40 percent full-time resident occupancy in some projects.

Most neighbor island subdivisions and multifamily developments, no matter where they are located, have some level of non-resident ownership/use. This is particularly true in newer projects with proximity to the coastline and/or in leeward areas which are highly attractive to off-island buyers informed via the internet. Further, Maui has an increasing number of oft-returning visitors who are comfortable away from the resorts and destination corridors and drawn to alternative "more local" areas.

The impact of these buyers on the market must be taken into consideration when projecting a region's housing unit needs, given the widespread interest in Hawaii real estate and typically greater financial resources of non-resident buyers. Failure to adequately account for their demand places extreme stress on island towns.

As noted, during the past 10 to 15 years, non-resident purchasers have shown greater interest in "standard"

residential product in the interior Kihei-Makena market, and comprised up to 40 percent of original buyers in some recent subdivisions and multifamily projects.

Several studies were completed for the County Planning Department regarding non-resident demand for residential inventory on Maui. The "Land Use Forecast" completed for the on-going general/community plan updating estimates that non-resident demand islandwide will represent 26 percent of total unit demand through 2030. In the Kihei-Makena region the estimate was as high as 35 percent of total demand forecast; or a need for about 3,700 residential units to meet the non-resident; similar to West Maui estimates.

In previous General Plan projections consideration of this impact of non-resort residential demand was considered incidental, but is now recognized by all to be a legitimate, continuing segment of demand which must be addressed if market sustainability is to be achieved.

With stringent resident-only purchaser restrictions attached to many proposed workforce/affordable housing units in the study area and the availability of new resort-oriented inventory in Makena, we believe the non-resident component of the regional market will be at to slightly below the percentages forecast by the County. We have, therefore, tested a non-resident allowance of 25 percent of total resident household demand in our minimum projections, and 30 percent in the maximum scenario.

Total Market Unit Demand (TMUD) -- The solution to our demand formula is quantified by adding the Vacancy Allowance (VA) and Non-Resident Purchaser Allowance (NRPA) to the Total Resident Units Required (TRUR) figure. This is the total number of units which will be needed in the study region in order to meet all reasonable market demands.

The application of the housing demand formula to the subject region using the County Long-Range Planning "Baseline" and "Historic Trend Run" population forecasts are shown on Table 1.

Extrapolation of 2000 census figures in combination with County building permit and tax data indicates there are currently some 13,500 existing non-resort residential housing units in the Kihei-Makena Corridor.

Our model indicates the actualization of a healthy and stable housing market in the study area will require the construction of between 7,000 (Scenario One: Minimum) to 10,846 (Scenario Two: Maximum) additional housing units in South Maui by the Year 2030. The mid-point demand would be for 8,923 units, or 34 percent more than the in-place inventory, over the coming 22 years.

The County Land Use Forecast planning models forecasted a need for up to 9,735 new units from 2007 through 2030 ("Table 3-3 Projected Demand for Non-Resident Housing Units"); which is within our anticipated range and slightly above our current mid-point projections.

Conversion of our estimates of gross housing demand into pricing equivalents was completed using available data from the U.S. Census, Maui Board of Realtors, and the U.S. Dept. of HUD, in conjunction with affordable/workforce housing pricing guidelines established by the County of Maui Department of Housing and Human Concerns (DHHC), Housing Division. We have specifically relied upon the recently released "Affordable Sales Price Guidelines" for 2009 (dated March 27th) in establishing the moderate to lower-end price points for housing demand.

Table 2 illustrates the striation of Kihei-Makena regional housing requirements through 2030 into probable percentile demand by sales prices at current dollar levels. The figures correlate both historic actual buying trends and theoretical "affordability" quotients derived using government pricing criteria.

TABLE 1

QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE KIHEI-MAKENA STUDY AREA 2009 to 2030
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii

	2009	2010	2015	2020	2025	2030	Additional Units Required by 2030 (1)
Scenario One: Planning Department June 2006 Baseline Population Forecasts							
Resident Population	27,750	28,114	30,597	33,227	35,962	38,757	
Average Household Size	2.51	2.50	2.48	2.46	2.44	2.42	
Total Resident Units Required	11,056	11,246	12,338	13,507	14,739	16,015	
Vacancy Allowance (3 % of resident unit demand)	332	337	370	405	442	480	
Non-Resident Purchaser Allowance (25% of resident unit demand)	2,764	2,811	3,084	3,377	3,685	4,004	
TOTAL MARKET UNIT DEMAND	**14,151**	**14,394**	**15,792**	**17,289**	**18,865**	**20,500**	**7,000**
Scenario Two: Planning Department June 2006 Historical Trend Run Population Forecasts							
Resident Population	27,750	29,177	32,358	35,726	39,258	42,741	
Average Household Size	2.51	2.49	2.46	2.43	2.40	2.37	
Total Resident Units Required	11,056	11,718	13,154	14,702	16,358	18,034	
Vacancy Allowance (5% of resident unit demand)	553	586	658	735	818	902	
Non-Resident Purchaser Allowance (30% of resident unit demand)	3,317	3,515	3,946	4,411	4,907	5,410	
TOTAL MARKET UNIT DEMAND	**14,925**	**15,819**	**17,757**	**19,848**	**22,083**	**24,346**	**10,846**

CONCLUDED HOUSING UNIT DEMAND RANGE

	Existing	2009-2010	2011-2015	2016-2020	2021-2025	2026-2030	Totals
MINIMUM DEMAND							
Periodic	651	243	1,398	1,497	1,576	1,634	7,000
Cumulative	651	243	1,803	3,463	5,202	7,000	
Average Annual Demand (2)		121	312	332	348	359	
MAXIMUM DEMAND							
Periodic	1,425	894	1,939	2,090	2,235	2,264	10,846
Cumulative	1,425	894	3,188	5,635	8,226	10,846	
Average Annual Demand (2)		447	459	489	518	524	
MID-POINT DEMAND							
Periodic	1,038	568	1,668	1,794	1,906	1,949	8,923
Cumulative	1,038	568	2,496	4,549	6,714	8,923	
Average Annual Demand (2)		284	386	411	433	442	

(1) There are an estimated 13,500 housing units in the Kihei-Makena study area as of year-end 2008 (extrapolated figure).
(2) Existing (or latent) demand is assumed absorbed evenly from 2011 though 2030. None assumed absorbed in 2009-10 due to recession.

Source: US Census, County of Maui Planning Dept "Socio-Economic Forecast: Report", Various and The Hallstrom Group, Inc.

TABLE 2

STRIATED PROJECTIONS OF HOUSING UNIT DEMAND
BY SELLING PRICE IN KIHEI-MAKENA AREA 2009 TO 2030
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Expressed in Constant 2009 Dollars

Period	Periodic Demand 2009 to 2010	2011 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	Total Demand 2009-2030
1. Using "Baseline" Demand Forecasts						
Less Than $275,000 (1)	**49**	**312**	**332**	**348**	**359**	**1,400**
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
$275,000 to $550,000 (2)	**61**	**375**	**382**	**383**	**377**	**1,577**
Percent of Total Demand	25.00%	24.00%	23.00%	22.00%	21.00%	22.53%
$550,000 to $800,000	**61**	**390**	**415**	**435**	**449**	**1,750**
Percent of Total Demand	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Over $800,000	**73**	**484**	**531**	**574**	**611**	**2,273**
Percent of Total Demand	30.00%	31.00%	32.00%	33.00%	34.00%	32.47%
Total Market Demand	**243**	**1,561**	**1,660**	**1,739**	**1,797**	**7,000**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2. Using "Historic Trend Run" Demand Forecasts						
Less Than $275,000 (1)	**179**	**459**	**489**	**518**	**524**	**2,169**
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
$275,000 to $550,000 (2)	**224**	**551**	**563**	**570**	**550**	**2,457**
Percent of Total Demand	25.00%	24.00%	23.00%	22.00%	21.00%	22.65%
$550,000 to $800,000	**224**	**574**	**612**	**648**	**655**	**2,712**
Percent of Total Demand	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Over $800,000	**268**	**711**	**783**	**855**	**891**	**3,508**
Percent of Total Demand	30.00%	31.00%	32.00%	33.00%	34.00%	32.35%
Total Market Demand	**894**	**2,295**	**2,446**	**2,591**	**2,620**	**10,846**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Comparison of Projected and Current Unit Prices (3):						
Projected Average Unit Prices	$776,250	$787,100	$797,950	$808,800	$819,650	$803,043
Median Unit Price	**2008 Full Year**	**2009 (Jan-April)**				
Kihei	$504,136	$383,239				
Wailea/Makena	$2,212,255	$1,919,118				
Overall Study Area	$1,026,559	$631,905				

Note: The median household income for Maui for 2008 was estimated at $72,800 (excluding Hana). No gains in household income are anticipated in 2009

(1) This price is considered "affordable" for households earning 80% of the median county household income ("Low Income")
(2) This price is considered "affordable" for households earning from 81% to 160% of county median (includes "Below Moderate" to "Gap Income" categories).
(3) For comparison purposes, the constant dollar prices projected for the four identified market segments are at $250,000, $415,000, $690,000 and $1,500,000. Figures incorporate all single family and multifamily "unit" types

Source: Maui County, DBEDT, MLS and The Hallstrom Group, Inc.

In theory, development in the study area should generally proceed according to these striated estimates in order to achieve desired market stability during the projection period.

Table 3 displays the calculations of housing price affordability for Maui residents based on HUD/State/County and conventional financing guidelines, as embodied within the updated DHHC calculations for homes.

Using the governmental criteria, households in the "Low Income" grouping, earning 80 percent or less of the island median income, can afford a sales price, or rental equivalent, of $280,000 (rounded) or less. "Below-Moderate to Moderate Income" households, earning 80 to 120 percent of median income, can afford home prices up to $420,000. And, "Above-Moderate and Gap Group Income" households can afford prices up to $560,000. Above this level, prices are considered to be outside the "affordable" pricing segment and in the "market" price range.

Using conventional financing criteria which requires a larger down payment, the affordable housing prices for the respective groups increases by about 10 percent.

Inherently, a large portion of the demand is generated by lower- to middle-income groups who will have difficulty competing in the high-priced Maui marketplace. Upper-middle and above income households have more meaningful purchase alternatives.

About 41 percent of the regional units required through 2030 should be priced below a current level of $550,000, which would be generally affordable to the defined income/workforce housing income groups. Some 25 percent of demand will have price limits between $550,000 and $800,000 (the lower-end of the "market-priced" segment); and, 34 percent will seek properties having a price above $800,000 (high end).

The on-site subject inventory will generally follow this market pricing striation, with 40 percent of the product meeting affordability guidelines (with an additional 250 such units

TABLE 3

ESTIMATE OF HOUSING PRICE AFFORDABILITY FOR MAUI RESIDENTS
Market Study of the Proposed Honuaula Community
Wailea, Maui , Hawaii

1. Based on HUD/Maui County Criteria

Grouping	**Low Income**	**Below-Moderate to Moderate Income**	**Above-Moderate to Gap Group Income**
Household Income as a Percent of County Median	**80% or less**	**81% to 120%**	**121% to 160%**
Gross Household Monthly Income, Using Maximum for Category (1)	$5,027	$7,540	$10,053
Amount Available for Debt Service (2)	$1,508	$2,262	$3,016
Maximum Mortgage Amount (3)	$265,592	$398,387	$531,183
Down payment at 5% of Sales Price	$13,979	$20,968	$27,957
Total Affordable Purchase Price, Maximum for Category	**$279,571**	**$419,355**	**$559,140**
Indicated Affordable Price Range for Category (Rounded)	**Up to $280,000**	**$280,000 to $420,000**	**$420,000 to $560,000**

2. Based on Conventional Financing Criteria

Grouping	**Low Income**	**Below-Moderate to Moderate Income**	**Above-Moderate to Gap Group Income**
Gross Household Monthly Income	$5,027	$7,540	$10,053
Maximum Allowable Housing Expense (4)	$1,407	$2,111	$2,815
Maximum Mortgage Amount (5)	$247,803	$371,793	$495,783
Down payment at 20% of Sales Price (6)	$61,951	$92,948	$123,946
Total Affordable Purchase Price	**$309,754**	**$464,741**	**$619,729**
Indicated Affordable Price Range for Category (Rounded)	**Up to $310,000**	**$310,000 to $465,000**	**$465,000 to $620,000**

Note: Total Purchase Price estimate excludes any points associated with financing.

(1) Utilizing US HUD 2009 median household income for Island of Maui of $75,400 annually (excluding Hana).
(2) Based on Maui County mortgage affordability criteria at 30% of gross income for a three bedroom house, apart from any reserves.
(3) Assuming 5.50% annual interest and 30 year mortgage with 5% down payment, no discount points.
(4) Conventional financing with maximum monthly mortgage payment at 28% of gross income, apart from any reserves.
(5) Assuming 5.50% annual interest and 30 year mortgage, with 20% down payment.
(6) Conventional financing standard.

Source: Maui County Dept. of Housing and Human Concerns, and The Hallstrom Group, Inc.

located off-site), about 10 percent in the low-market priced segment, and 50 percent in the high-end market group.

Demand by unit type (multifamily unit, single family home or house lot) during the projection period is summarized on Table 4. The forecasts are based on historic and forecast development trends coupled with planned inventory additions to the regional supply.

We forecast that multi-family units will increase as a percentage of overall unit construction from a current level of about 40 percent of the total inventory to 46 percent by 2030, averaging 44 percent of additions over the coming two decades.

However, single family product will remain the focus of Kihei-Makena development, although we expect it will decline from the current level of comprising some 60 percent of the sector to 54 percent by 2030.

The total mid-point demand for new multi-family development over the next 22 years is estimated at 3,952 units. For new single-family types the demand will be for 2,974 finished houses and 1,976 building lots.

Identification of Planned Study Area Residential Projects

Existing and Recent/In-Sales Supply

There are approximately 225 single family lots/homes currently available for original purchase in the study area which have yet to be absorbed. Most are located in Kamaole-Wailea neighborhoods. There are an estimated 285 condominium new units which have not been closed by developers; again mostly in greater Wailea.

While this is not as significant of a supply overhang as was experienced in the 1981-82 and early 1990s down market periods, it still represents several years of unabsorbed upper-end supply. There is no meaningful overhang of new low-end supply. Unmet demand still exists for affordable-priced units,

TABLE 4

DIVISION OF PROJECTED DEMAND BY UNIT TYPE
FOR HOUSING UNITS IN KIHEI-MAKENA AREA 2009 TO 2030
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii

	Periodic Demand (1)					Total	
	2009 to 2010	2011 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	Demand 2009-2030	Comments
1. Using "Baseline" Demand Projections							
Single Family Homes	97	578	548	539	557	2,319	The study area was among the first neighbor island regions to have significant numbers of "tract/spec" homes built relative to size of market, and this type of development has been the primary segment in the single family sector over the past two decades; some devolution anticipated.
Percent of Total	40%	37%	33%	31%	31%	33%	
Single Family Lots	49	328	365	400	413	1,555	Prior to mid-80s, vacant lots were the primary single family development type. Now mainly limited to smaller and/or more upscale subdivisions. However, several major projects being proposed are expected to have significant lot offerings.
Percent of Total	20%	21%	22%	23%	23%	22%	
Multifamily Units	97	656	730	800	827	3,110	The primary residential development type in the makai/resort areas of the region, although the number of available and competitive sites has become somewhat limited. Need for affordable/workforce units will fuel continuing development as will demand for more moderate-priced vacation units.
Percent of Total	40%	42%	44%	46%	46%	44%	
Total	**243**	**1,561**	**1,660**	**1,739**	**1,797**	**7,000**	
	100%	100%	99%	100%	100%	100%	
2. Using "Historical Trend Run" Projections							
Single Family Homes	358	849	807	803	812	3,629	
Percent of Total	40%	37%	33%	31%	31%	33%	
Single Family Lots	179	482	538	596	603	2,397	
Percent of Total	20%	21%	22%	23%	23%	22%	
Multifamily Units	358	964	1,076	1,192	1,205	4,795	
Percent of Total	40%	42%	44%	46%	46%	44%	
Total	**894**	**2,295**	**2,446**	**2,591**	**2,620**	**10,846**	
	100%	100%	99%	100%	100%	100%	
Mid-Point							
Single Family Homes	227	713	677	671	685	**2,974**	
Single Family Lots	114	405	452	498	508	**1,976**	
Multifamily Units	227	810	903	996	1,016	**3,952**	
Total	**569**	**1,928**	**2,032**	**2,165**	**2,209**	**8,902**	

Source: The Hallstrom Group, Inc.

but product is quite limited and mortgage loans have become more difficult to come by.

There are several years of supply of luxury and resort-oriented residential product, and will likely take until 2011-12 to fully absorb.

Proposed Supply

Precise quantification of probable additions to residential unit supply in the study area over the next 22 years is problematic, due to the size of the region, rapid urbanization and vast number of preliminarily envisioned developments. Table 5 provides a comparison of proposed new residential units in Kihei-Makena during various surveys undertaken over the last 17 years.

Studies completed in the early 1990s indicated that upwards of 24,000 units were being proposed for the Kihei-Makena Community Plan area. Some were approved, some built and some projects abandoned.

As part of the General/Community Plan updating process freshly updated analyses of planned/proposed residential units have been completed. In their November 2006 *Land Use Forecast Technical Resources Study*, Plan Pacific, Inc., estimated there were general approvals in place to support 4,137 housing units, somewhat evenly divided between single and multifamily types.

In July 2008, the Maui County Planning Department Long-Range Planning Division completed a more encompassing survey and identified 5,712 potential units of "planned" supply (having State Land Use and some level of County approvals) and an additional 8,580 units of "proposed" supply (projects having no County approvals). The latter group was intended to be all-inclusive and contains many older, long-abandoned, or never pursued developments.

The General Plan Advisory Committee (GPAC) assimilated the two studies and developed a series of final recommendation "Directed Growth Maps" for South Maui to be used as a basis for the 2030 planning horizon. Although, detailed analyses of

TABLE 5

COMPARISON OF PROPOSED KIHEI-MAKENA AREA LONG-TERM RESIDENTIAL SUPPLY ESTIMATES OVER TIME
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Estimates Include the Proposed Subject Property and Unit Count/Mix at Time of Estimate

Estimate Title	Land Use Forecast Technical Study	Land Use Forecast Technical Resource Study	South Maui Development Projects	Advisory Committee Final Recommendations
Dated	June 1992	November 2006	July 2008	March 2009
Purpose	To support the 1998 Update of the Kihei-Makena Community Plan	To support the on-going updating of the Kihei-Makena Community Plan	To support the on-going updating of the Kihei-Makena Community Plan	To support the on-going updating of the Kihei-Makena Community Plan
Prepared By	Wilson Okamoto & Assoc.	PlanPacific Inc.	Long Range Planning Div. Dept. of Planning, Maui County	Maui General Plan Advisory Committee
Basis Terminology	"Developable Lands (in Acres)"	"Supply of Potential Housing Units on Vacant Lands Planned for Housing"	"Projects by Geographic Map Extent"	"GPAC Directed Growth Map"
Basis Derivation	All parcels with no improvements and meeting developable criteria, based on SLUC designation	"Known Projects" that have appropriate Community Plan designations for housing	All projects over 6 units/4 lots that have "come to the attention" of Dept regardless of approval status (2)	Evolution of July 2008 map to correspond to proposed Growth Boundaries, includes approved and proposed additions
Estimate of Available Supply (1)				
"Approved" per Basis				
Single Family	8,692	1,987	2,741	No Distinction by Unit Type
Multi Family	15,480	1,950	2,971	
Rural/Agriculture	115	200	(3)	-
Sub-Total	24,287	4,137	5,712	5,019 (4)
"Proposed"/Other	None	None		
Single Family			6,388	No Distinction by Unit Type
Multi Family			2,192	
Sub-Total			8,580	765 (5)
Total Estimated Units (All Types)	**24,287**	**4,137**	**14,292**	**5,784**

(1) For consistency purposes, where estimates were expressed in acres instead of unit counts the conversion formulas expressed in the November 2006 forecasts were employed, which call for 4 units per acre on Single Family development sites, 20 units per acre on Multi Family, and 1.4 units per acre for rural/ag lands.
(2) Projects divided into three categories "Planned/Committed", having conforming Comm Plan and zoning status, or otherwise fully approved; "Planned/Designated", having appropriate Urban or Rural designation on Comm Plan but no zoning entitlements; and, "Proposed", which are lacking Comm Plan Urban or Rural designation.
(3) Not identified as separate category.
(4) GPAC Maps include only a portion of the "Proposed/Designated" Ohukai Village project, and as less intense "Country Town". Based on allocation of 1,000 total units for the Kihei Mauka expansion area, it is extrapolated that the unit count for this development has been revised downward from 928 total units to circa 235 total units; likely all single family.
(5) Only two "Proposed" projects from the LRPD Map (one only partially) are included on the GPAC Map, both in the Kihei Mauka area. However, the units counts have also been trimmed in these projects, moving downward from a total of 1,617 units to an extrapolated allocation estimate of 765 total units; likely all single family.

Source: As cited, and The Hallstrom Group, Inc.

the GPAC findings were awaiting publication during preparation of this report, extrapolation of "Growth Area Unit Count" recommendations in concert with the proposed Growth Boundaries Maps, indicates a total approved/suggested supply of approximately 5,784 residential units in the study area.

All of the recent County-based forecasts include Honuaula as an approved property whose inventory is included in the forecast unit count.

Correlation of the projections indicate the total probable supply of residential units in the Kihei-Makena Corridor to range from circa 4,100 to 5,800 units, including the subject. Apart from the subject, the approved/planned supply would be only some 3,000 to 4,650 units.

Comparison of Demand and Supply Indicators

The demand for new housing opportunities in the South Maui study area over the coming 22 years, 2009 through 2030, is estimated at 8,923 total new units (mid-point), of which 4,950 will be oriented toward single family inventory, and 3,952 multifamily product.

Apart from Honuaula, the currently planned level of new residential additions during the same time frame will be between 3,000 to 4,650 units, if all approved/planned projects are actualized and built to maximum densities in a timely manner; which we consider unlikely. There are an additional 510 unsold units/homes/lots of "overhanging" supply.

Therefore, the unsold and approved/planned inventory will fall short of projected demand by more than 3,763 residential units, or 42 percent of total required supply, during the modeling period. On an macro basis, there is substantial, quantifiable market demand in support of the subject community during its proposed offering period.

Micro Analysis

The Kihei-Makena area residential real estate market, like similar sectors throughout the state, is currently in the midst of slumping market cycle subsequent to reaching a upside peak in

2005-06. The up-cycle activity began in the late 1990s, was set back briefly by 9/11, and reached record levels during each year through mid-decade before retreating in late 2006 and further each following year to the present.

This trending is highly typical of real estate in Hawaii, as evidenced in the cycles of the late 70s/early 80s and late 80s/early 90s, with several years of increasing upward activity reaching a frantic pace in sales and appreciation then slumping dramatically for two to three years before stabilizing and commencing recovery into another upward movement.

In analyzing study region data it is necessary to account for the amount and quality of inventory available at any given time during the cycle, which has a tendency to impact the comparison of statistics from year to year.

Single family residential market activity data in the study area from 2002 through 2009 (extrapolated year-end figures) are summarized on Table 6. During this period sales volumes more than doubled to $357.3 million annually in 2005 before declining to a current level of $100.7 million (based on indicators through April), which is about 40 percent below sales in 2002 at the commencement of the last cycle.

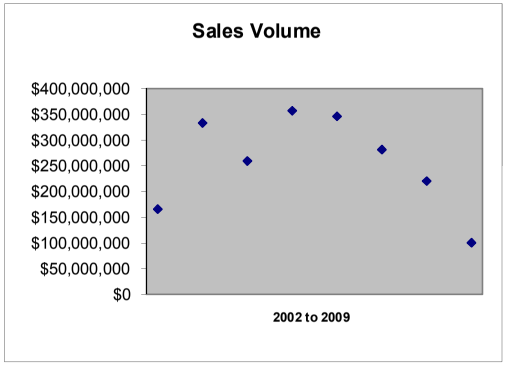
Average sales prices throughout the corridor, despite retreating in each of the last three years to a current level of $1,016,910, are still nearly double the price in 2002. Specifically, median prices in Kihei have increased by 35 percent over the last seven years, from $385,000 to $520,000, and by 179 percent in Wailea-Makena, appreciating from $950,000 to $2,650,000.

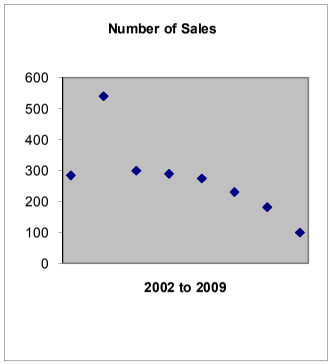
Multifamily indicators, as summarized on Table 7, have followed the same general trending as in the single family sector. Currently, the average price in the sector is at $693,000, with the median price in Kihei at $312,500, off 21 percent from 2008 annualized figures, and at $1,762,500 in Wailea-Makena, down 20 percent from last year. The activity levels (number of sales and total sales volume) are only a quarter of the record highs reached in 2005.

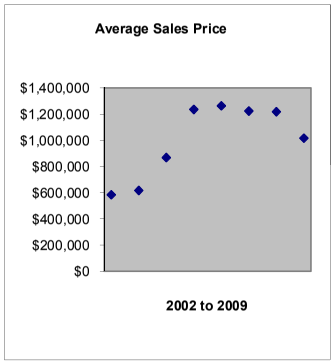
TABLE 6

SUMMARY OF SUBJECT AREA SINGLE FAMILY RESIDENTIAL MARKET ACTIVITY
Market Study of the Proposed Honuaulu Community
Wailea, Maui, Hawaii

Year	2002	2003	2004	2005	2006	2007	2008	2009
Sales Volume	$165,996,006	$333,401,534	$259,592,930	$357,254,398	$346,281,181	$281,636,285	$220,563,811	$100,674,057
Percent Annual Change		100.8%	-22.1%	37.6%	-3.1%	-18.7%	-21.7%	-54.4%
Number of Sales	284	540	299	289	274	230	181	99
Percent Annual Change		90.1%	-44.6%	-3.3%	-5.2%	-16.1%	-21.3%	-45.3%
Average Sales Price	$584,493	$617,410	$868,204	$1,236,174	$1,263,800	$1,224,506	$1,218,585	$1,016,910
Percent Annual Change		5.6%	40.6%	42.4%	2.2%	-3.1%	-0.5%	-16.5%
Median Sales Price								
Kihei	$385,000	$410,000	$549,000	$715,000	$729,000	$730,000	$718,909	$520,000
Percent Annual Change		6.5%	33.9%	30.2%	2.0%	0.1%	-1.5%	-27.7%
Wailea/Makena	$950,000	$1,287,500	$1,550,000	$1,982,500	$1,580,000	$2,028,500	$2,300,000	$2,650,000
Percent Annual Change		35.5%	20.4%	27.9%	-20.3%	28.4%	13.4%	15.2%







Note: Statistics may not include all "original/developer" sales in 2002 and 2003.

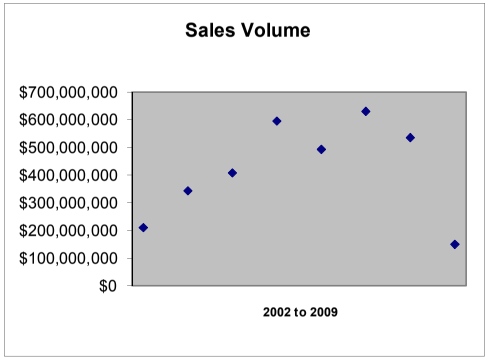
(1) 2009 year-end estimates based on data through April.

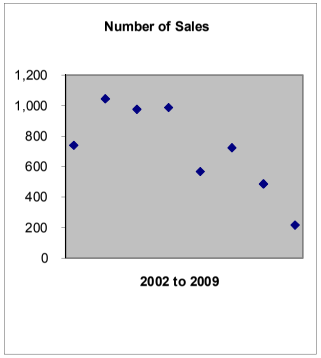
Source: Hawaii Information Service, Maui MLS and The Hallstrom Group, Inc.

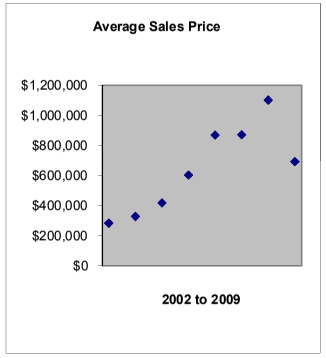
TABLE 7

SUMMARY OF SUBJECT AREA MULTI FAMILY RESIDENTIAL MARKET ACTIVITY
Market Study of the Proposed Honuaulu Community
Wailea, Maui, Hawaii
Excludes Maalaea

Year	2002	2003	2004	2005	2006	2007	2008	2009
Sales Volume	$210,138,947	$343,465,646	$408,090,219	$595,399,503	$492,906,035	$630,275,954	$535,444,296	$149,681,985
Percent Annual Change		63.4%	18.8%	45.9%	-17.2%	27.9%	-15.0%	-72.0%
Number of Sales	739	1,044	975	986	567	723	486	216
Percent Annual Change		41.3%	-6.6%	1.1%	-42.5%	27.5%	-32.8%	-55.6%
Average Sales Price	$284,356	$328,990	$418,554	$603,853	$869,323	$871,751	$1,101,737	$692,972
Percent Annual Change		15.7%	27.2%	44.3%	44.0%	0.3%	26.4%	-37.1%
Median Sales Price								
Kihei	$158,000	$190,000	$269,000	$355,000	$395,000	$425,000	$395,000	$312,500
Percent Annual Change		20.3%	41.6%	32.0%	11.3%	7.6%	-7.1%	-20.9%
Wailea/Makena	$515,000	$560,000	$737,500	$1,105,025	$1,400,500	$1,328,775	$2,200,000	$1,762,500
Percent Annual Change		8.7%	31.7%	49.8%	26.7%	-5.1%	65.6%	-19.9%







Note: Statistics may not include all "original/developer" sales in 2002 and 2003.

(1) 2009 year-end estimates based on data through April.

Source: Maui MLS and The Hallstrom Group, Inc.

Residential/vacant lot activity for the same period is displayed on Table 8. The trending lines are comparable through 2008, but are erratic for 2009 due to the closing of several upper-end oceanfront lots in Wailea/Makena. Inventory limitations, inclusion of atypical product, and variance in availability may skew indicators for a given year. The current median price for a Kihei house lot is $350,000; in Wailea/Makena it is more than ten times that amount (a figure viewed as atypically high).

While there are major short-term concerns in the market, such cyclical behavior is standard for Maui real estate, and it is highly likely that during the mid-term (three to six years) concerns will once again be hyper-appreciation, scarcity of product, and record setting activity levels. The cycle has run repeatedly over the past three decades. We project the softness to continue through 2009 and into 2010 before stabilizing and moving towards recovery in 2011-12 and an up cycle period by mid-decade.

THE MAUI RESORT/RESIDENTIAL MARKET

The foundational macro analysis indicates demand for a large number of new residential units across a broad spectrum of product types. The proposed diversity of inventory at Honuaula corresponds well to the quantified regional market requirements over the next two decades.

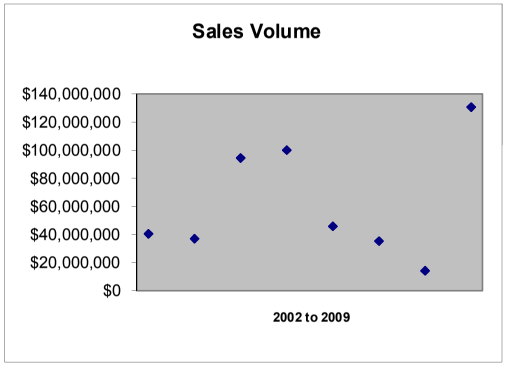
In addition to appealing to a wide variety of purchasers in the general Kihei-Makena housing market, portions of the subject will also specifically compete within the Maui resort/residential sector.

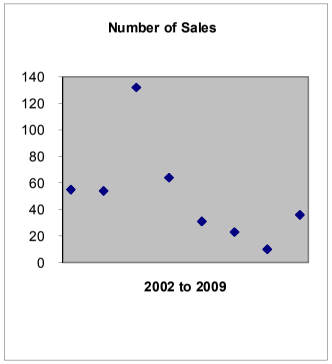
Although not truly a destination resort project, as it is lacking in ocean frontage and transient accommodations, Honuaula will offer some product which will be competitive with the interior (off-water) inventory of the destination communities and attract purchasers from the same market segments.

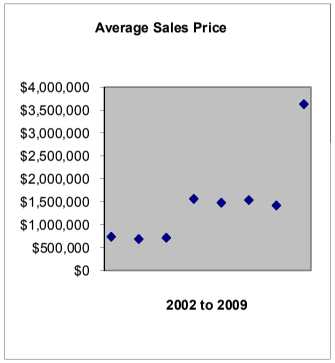
TABLE 8

SUMMARY OF SUBJECT AREA VACANT LAND MARKET ACTIVITY
Market Study of the Proposed Honuaulu Community
Wailea, Maui, Hawaii

Year	2002	2003	2004	2005	2006	2007	2008	2009
Sales Volume	$40,534,516	$37,024,500	$94,429,970	$99,963,990	$45,856,900	$35,323,250	$14,192,500	$130,597,500
Percent Annual Change		-8.7%	155.0%	5.9%	-54.1%	-23.0%	-59.8%	820.2%
Number of Sales	55	54	132	64	31	23	10	36
Percent Annual Change		-1.8%	144.4%	-51.5%	-51.6%	-25.8%	-56.5%	260.0%
Average Sales Price	$736,991	$685,639	$715,379	$1,561,937	$1,479,255	$1,535,793	$1,419,250	$3,627,708
Percent Annual Change		-7.0%	4.3%	118.3%	-5.3%	3.8%	-7.6%	155.6%
Median Sales Price								
Kihei	$230,000	$275,000	$285,000	$375,000	$632,500	$675,000	$323,500	$350,000
Percent Annual Change		19.6%	3.6%	31.6%	68.7%	6.7%	-52.1%	8.2%
Wailea/Makena	$395,000	$545,000	$850,000	$1,637,500	$1,250,000	$2,000,000	$2,775,000	$3,925,682
Percent Annual Change		38.0%	56.0%	92.6%	-23.7%	60.0%	38.8%	41.5%







Note: Statistics may not include all "original/developer" sales in 2002 and 2003, and may include some builder and/or non-residential sites.

(1) 2009 year-end estimates based on data through April.

Source: Maui MLS and The Hallstrom Group, Inc.

The upper-end homes/lots and multifamily "villas" fronting the subject golf course will offer similar characteristics and amenities to the abutting mauka developments in Wailea Resort; albeit lacking somewhat in regards to market prestige. And, will likely prove superior to the residential product in the northerly sections of Wailea, beyond Wailea Ike Drive, which are outside of the resort core.

Given that the three most advanced destination communities, Wailea, Kaanapali and Kapalua, have developed virtually all of their central resort makai lands (with the latter two looking to expand onto mauka holdings), the comparability of the subject prime inventory and its status as a desirable purchase alternative will increase.

The demand for resort/residential real estate within West and South Maui master planned resort communities has become well-established since first being introduced at Kaanapali in 1964. Over the past 35 years some 4,300 in-resort condominium units and 1,400 single family homes/lots have been subdivided within the three major projects (Wailea, Kapalua and Kaanapali), with some 97 percent being successfully absorbed to date.

In response to the demonstrated, continuing demand for Maui resort/residential development, each of the resorts, along with Makena, are planning significant inventory additions over the coming decades.

The historic and projected resort/residential market sector in West and South Maui is summarized on Table 9. Of specific import is the stabilized annual average rate of product absorption over time.

During this decade the three active developments have sold a combined average of 112 condominium units and 40 homes/lots annually, with both averages showing slight gains from pre-2001 figures. Wailea has consistently grabbed the largest market share, averaging some 71 sales per year since introducing its first projects in 1975. This recently equates to a 46 percent capture rate within the overall sector.

TABLE 9

SUMMARY OF MAUI RESORT-RESIDENTIAL DEMAND IN MAJOR MAUI RESORT COMMUNITIES
HISTORIC AND PROJECTED
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Based on Construction and Original/Developer Sales (1)

Resort Community	Historic Pre-2000	Historic 2001-2008
1. Wailea (2)		
Condominium	1,302	413
Annual Average	52.1	51.6
Single Family	506	154
Annual Average	20.2	19.3
Project Total	1,808	567
Cumulative Annual Average	72.3	70.9
2. Kaanapali (3)		
Condominium	1,535	387
Annual Average	42.6	48.4
Single Family	383	112
Annual Average	12.8	14.0
Project Total	1,918	499
Cumulative Annual Average	55.4	62.4
3. Kapalua (4)		
Condominium	564	98
Annual Average	24.5	12.3
Single Family	190	56
Annual Average	14.6	7.0
Project Total	754	154
Cumulative Annual Average	39.1	19.3
4. Makena		
Condominium	No Resort-Residential Projects Undertaken to date by Master Resort Developer	
Single Family		
Project Total		

	Historic		Projected					
	Pre-2000	2001-2008	2009-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total
Maui Resort Totals								
Condominium Sales	**3,401**	**898**	**150**	**500**	**525**	**550**	**550**	**2,275**
Annual Average (5)	94.5	112.3	75.0	100.0	105.0	110.0	110.0	103.4
Single Family Sales	**1,079**	**322**	**50**	**200**	**225**	**250**	**275**	**1,000**
Annual Average (5)	36.0	40.3	25.0	40.0	45.0	45.0	45.0	45.5
Island Total	**4,480**	**1,220**	**200**	**700**	**750**	**800**	**825**	**3,275**
Annual Average	130.4	152.5	100.0	140.0	150.0	155.0	155.0	148.9

(1) Figures for 2001-2008 may include some recently developed product which has yet to sell.
(2) Resort-residential development commenced in the resort in 1975; both single and multi-family uses.
(3) Resort condominium development commenced in 1964, and single family subdivision in 1970.
(4) Multi-family construction began in 1977, and single family development in 1987.
(5) Annual average based from earliest year for product among the communities cited.

Source: The Hallstrom Group, Inc.

As shown across the bottom of the table, we project that following down years in 2009-10, recovery will begin in 2011-15, with general long-term stabilized levels again achieved thereafter. We also forecast there to be continuing nominal gains in the number of single family lot sales annually as this product type further evolves from its more recent emergence.

Over the next 22 years, through 2030, we estimate the demand for resort/residential units in West and South Maui will total some 3,275 units; of which 2,275 will be directed to multifamily inventory and 1,000 towards single family homes/lots. However, the final mix between multifamily and single family units is more a function of supply timing, type and pricing than estimated specific demand, portions of which can/will be redirected between types in accordance with market trends.

The demand will equate to an average of 149 new sales per year over the 22 year projection period, with a stabilized level of 155 sales annually.

Significant additional product is being proposed in the competitive sector, as summarized on Table 10. The four destination communities are currently planning for an additional 3,161 new units, with single family homes/lots comprising about 54 percent of the total.

On a gross basis it appears that demand (3,275 units) and supply (3,161 proposed units) are in general synchronicity. However, upon analysis, such balance is unlikely to be achieved.

Resort/residential development rarely manifests maximum densities, particularly in single family subdivision, due to topographical, shape and infrastructure limitations, and evolving market trends.

And, it will likely take longer than the projection period (through 2030) for all of the units planned for the four major projects to be approved and developed. Makena has yet to launch its resort/residential product despite having most entitlements for several decades, and the Kapalua and

TABLE 10

PROPOSED ADDITIONS TO SUPPLY
IN MAJOR MAUI RESORT COMMUNITIES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii

Resort Community	Units/Lots
1. Wailea (2)	
Condominium	200
Single Family	180
Project Total	380
2. Kaanapali (3)	
Condominium	330
Single Family	430
Project Total	760
3. Kapalua (4)	
Condominium	527
Single Family	694
Project Total	1,221
4. Makena	
Condominium	400
Single Family	400
Project Total	800
Maui Resort Totals	
Condominium Units	**1,457**
Single Family Homes/Lots	**1,704**
Island Total	**3,161**

Note: Includes only those projects classified by Maui Planning Dept. as "Planned/Committed" and "Planned/Designated".

Source: The Hallstrom Group, Inc.

Kaanapali expansion areas are still working their way through the approval process which could result in their delay or a diminished unit count. All will require extensive capital infrastructure investments.

We would consider it unduly optimistic to project that more than 80 to 90 percent of the total competitive resort/residential inventory proposed, or about 2,500 to 2,800 units, will be developed by 2030.

Further, Wailea, which has demonstrated the highest sustained level of demand among active projects has the lowest remaining supply of potential inventory with only some 380 units left to develop. This represents only 12 percent of the proposed total competitive supply for a project that has historically captured nearly half of the market.

This bodes well for Honuaula, which will be in position to step-into the established demand patterns enjoyed by Wailea resort/residential units. While a meaningful share of demand for South Maui resort product would be expected to be redirected to Makena in the void following Wailea build-out, its more outlying, lesser intensity, and fewer services traits will diminish some purchaser interest.

For those specifically seeking the locational, view, climate and proximity attributes found at Wailea, the subject will prove a viable alternative. And, as noted in relation to Wailea, the proposed subject upper-end inventory will abut similar mauka subdivisions within Makena Resort, which is southerly adjacent.

Based on a projected demand for some 3,200 resort/residential units in West and South Maui over the next 22 years, and a realistically probable supply of a maximum of 2,500 to 2,800 competitive units being added to the existing resort communities over the same time frame, there would appear to be a potential residual supply shortage of at least 400 to 700 units in the sector which could be readily directed to Honuaula.

As Wailea achieves build-out in the near to mid-term, the subject could anticipate capturing a significant share of its

established market segment, reaching between 40 and 50 units annually on stabilized basis. This would equate to a market share of 25 to 32 percent, a seemingly optimistic figure given there will be four other competing developments, but not unreasonable given it is just more than half of Wailea's historic long-term capture rate.

We conclude the indicators of the Maui resort/residential sector are supportive of the macro projections for the general Kihei-Makena residential market, and demonstrate the ability of the subject to achieve absorption of its 600 units of upper-end priced inventory in a 12 to 15 year market exposure period.

APPROPRIATENESS OF THE SUBJECT PROPERTY FOR RESIDENTIAL USE AND ABSORPTION ESTIMATES

In light of the quantified market support for the proposed subject residential development, the next step in analysis is to assess whether the site and concept are appropriate from a market perspective, are in concert with macro demand trends, and forecast the probable standing of the Honuaula inventory therein. These insights determine the competitiveness and resulting probable market shares for the residential components of the project.

The master plan for the subject community is consistent with modern urban planning objectives, and will provide a high-quality competitive environment for the 1,150 units proposed. Among the features we consider most relevant relative to maximizing market acceptance:

- The diversity of subject residential product types will reach across virtually the entire market demand spectrum in the Kihei-Makena area, creating a dynamic community with enhanced absorption potentials relative to other, smaller developments offering much more limited types. This will permit a more sustainable development posture over time (and through cycles),

keeping fresh inventory before the public eye, and an on-going market status.

- The location of the project is one of the most desirable in the State, with a superior climate, excellent view panoramas, and close proximity to beaches, recreational amenities, public facilities and supporting commercial services. The direct access onto Piilani Highway is a valued commodity among residents, as will be the unique opportunity to purchase affordable and lower market-priced homes in a resort-like master planned community.

- The parks, golf course, open spaces and greenbelts are integrated into the design as to maximize the frontage offered to abutting developable residential sites. In the northerly portion of the project, which has higher densities, there will be three neighborhood parks and a system of greenbelt paths along the natural drainage ways which touch virtually every development pod.

  In the southerly portion, the golf course, botanical preserve and larger home sites promote a low density ambience, and help establish a feeling of greater exclusivity (a necessary factor to achieve full market standing of the product), while enhancing view potentials. The course also provides a landscaped buffer along portions of the main access roadway. The golf holes are equitably divided between side hill and sloping layouts, which will contribute to the competitiveness and playability of the course.

  The clubhouse and associated recreational facilities will provide both a recreational "anchor" for the community and secondary commercial center, with easy access for residents, club members and their guests.

- The large number and relatively small size of the single family and multifamily development pods will promote a variety of intimate and distinct subdivisions and multifamily products, a major marketing benefit, and an

asset in investment management and timing of construction efforts. Having smaller projects also decreases the economic exposure of the developers at any given time; as during slow periods, the amount of inventory overhang can be more readily controlled.

- Although the primary commercial spaces are intended to service the Honuaula population, they will also help meet the daily shopping needs of residents in proximate neighborhoods outside consumers as well as passer-bys. The placement of the commercial pods at the northerly entrance to the project, at the intersection of Piilani Highway and Wailea Ike Drive, and along the main trunk road into the densest part of the subject community, is prudent.

The master plan is an appropriate use of the subject property from a market demand and economic acceptance perspective based on a variety of criteria, including:

- It will convert an agriculturally and economically non-productive lava and bunch grass "ranchland" holding into an integrally-designed development which will help in meeting future residential needs in the region, while providing a meaningful economic stimulus to the island.

- It is within and consistent with the urban node encompassing the greater Wailea and Makena destination resorts and adjoining projects. And, it will provide a desirable transition from the intense Wailea project to the upslope range.

- The master plan is well suited for the climate of the site, and will serve to attract residents, retirees, and non-resident buyers seeking the slightly cooler and better views available at elevations above the Kihei-Wailea makai urban development corridor.

- The site has favorable frontage/exposure traits along Piilani Highway, with relative ease of access to vital transportation and supporting facilities in Central Maui,

and is nearby the resort services and employment centers.

- Superior ocean and/or upslope panoramas will be available for most properties in Honuaula, a highly desirable asset in the regional market.

- The golf course will further enhance the status of the Kihei-Makena region as being a world-class golf destination and attract more upper-income members and visiting players into the corridor; with the non-resident golfers being among the highest average daily spending visitor segment.

- The subject will help simultaneously fill numerous market niches. A diversity of residential inventory is vital to a stable regional market.

- The overall low intensity of development, at less than two units per acre, will maintain the integrity of the Wailea/Makena resort pod and provide a transition from the more intense urban uses in the makai areas to the upslope range.

- The proposed project will effectively and permanently insulate the Wailea and Makena Resort projects, which are vital to the economic welfare of the region, from incursion by future potentially un-complementary development types. Further, as noted above, the available facilities will benefit some guests of the resorts, increasing their desirability and economic viability. An alternative use of the subject property may prove non-homogeneous with the resorts and fail to enhance their standing.

Based on these attributes of the subject property, our analyses of the Kihei-Makena residential market and the Maui resort/residential sector, and the historic experience of competitive projects in the regional marketplace, we have estimated the probable absorption velocity for the subject inventory using three methodologies:

Gross Demand/Supply Comparison -- This straight-forward technique assumes that if there is insufficient existing and planned supply to meet projected market gross demand levels during the projection period, the proposed subject lots and units will be absorbed in a reasonable manner, regardless of competitive qualities, as there are no other alternatives available.

Over the next two decades, without Honuaula, there will be a mid-point shortfall of some 4,200 residential units in the Kihei-Makena region even if all the presently "planned" (having some level of County entitlements) developments are built to maximum densities in a timely manner. The undersupply condition will ensure there is sufficient to absorb the project within the projection timeframe.

The Residual Method -- In this technique, the "planned" inventory and in-place but unsold units are placed on a time-line depicting the combined sales absorption anticipated by the developers (as estimated by the County, stated in EIS, reported in the media or through interviews) or assuming a reasonable market share. To the extent this supply of units fall short of the forecast demand for product in the study region or exceed the total, a respective undersupply or oversupply situation is present.

Having accounted for all of the planned/approved units in the market, and acknowledging the unlikelihood of otherwise competitive sites in the region, it can be asserted the subject development will capture a significant portion to all of any residual demand. This approach is generally conservative, as it assumes the subject will capture only what is left over after all other projects garner their share. Given the nature of the subject holding we believe it could be a regional market leader, not a follower.

We completed the residual modeling effort for single and multifamily types on an individual and combined basis, as shown on Table 11.

Even with a supply overhang of some 225 recently constructed but unsold homes/lots (most towards the upper-end of the market), there will still be a shortfall as the market recovers and they are absorbed. In the anticipated offering period for the subject inventory, commencing in 2012, there will be a shortfall of 700 homes/lots over the subsequent nine years (through 2020). This will be more than sufficient to absorb the 400 homes of Honuaula, resulting in an estimated sales period of from four to seven years for this component using the residual method.

The multifamily sector has a larger current overhang of some 285 units, with another 20 scheduled for completion in the near-term. And, as they represent a smaller portion of total demand than single family they will take longer to absorb; by which time additional other inventory will be coming on line. As a result, the potential residual demand flowing to the subject is somewhat less favorable for the multifamily component.

From the beginning of pre-sales in 2012, this technique indicates that full absorption of the 750 multifamily units would require about 11 to 14 years. However, we believe this to be a strongly conservative conclusion given the long-standing demand for affordable-priced units in the region which will comprise 450 of the subject units.

On a combined overall basis, the total residual demand available for Honuaula will result in absorption in about eight to ten years.

The Market Shares Method -- This approach accounts for the probable competitiveness of the subject inventory regardless of the total level of product being otherwise offered on the market. In essence, it is an estimate of how much of the total forecast demand in the Kihei-

TABLE 11

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE KIHEI-MAKENA STUDY AREA
Market Study of the Proposed Honuaula Community
Wailea, Maui Hawaii
Based on GPAC Final Recommendations Relative to LRPD July 2008 "Planned" Unit Counts

Segment	TOTAL UNITS	Sales Period 2009-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total
Single Family (1)							
Identified Supply (2,3)	2,638	275	625	850	750	138	2,638
Market Share Percentage of Total Supply		47%	61%	59%	56%	28%	54%
Regional SF Lot/Home Demand (mid-point)	**4,950**	**341**	**1,118**	**1,129**	**1,169**	**1,193**	**4,950**
Shortage or (Excess) Supply	**2,312**	**66**	**493**	**279**	**419**	**1,055**	**2,312**
Potential Residual Subject SF Demand							
at 100% Capture Rate	2,312	66	493	279	419	1,055	2,312
at 90% Capture Rate	2,081	59	444	251	377	950	2,081
Multi Family							
Identified Supply (2,4)	2,256	305	400	600	600	351	2,256
Market Share Percentage of Total Supply		53%	39%	41%	44%	72%	46%
Regional MF Unit Demand (mid-point)	**3,952**	**227**	**810**	**903**	**996**	**1,016**	**3,952**
Shortage or (Excess) Supply	**1,696**	**(78)**	**410**	**303**	**396**	**665**	**1,696**
Potential Residual Subject MF Demand							
at 100% Capture Rate	1,696	-78	410	303	396	665	1,696
at 90% Capture Rate	1,526	-70	369	273	356	599	1,526
Total Single and Multi Family							
Identified Supply	4,894	580	1,025	1,450	1,350	489	4,894
Market Share Percentage of Total Supply		100%	100%	100%	100%	100%	100%
Regional Total Unit Demand (mid-point)	**8,902**	**568**	**1,928**	**2,032**	**2,165**	**2,209**	**8,902**
Shortage or (Excess) Supply	**4,008**	**(12)**	**903**	**582**	**815**	**1,720**	**4,008**
Potential Residual Subject Demand							
at 100% Capture Rate	4,008	-12	903	582	815	1,720	4,008
at 90% Capture Rate	3,607	-11	813	524	734	1,548	3,607

(1) Includes lots and finished homes.
(2) Timing of unit development based on information from numerous sources, including media articles, developer projections, Maui Affordable Residential Housing Study (12/2006), and logistic/market realities.
(3) Includes recently finished but unsold inventory totaling some 225 lots/homes. Adjusted to exclude the proposed subject homes/lots as estimated by GPAC/LRPD.
(4) Includes recently finished but unsold inventory totaling some 285 units. Adjusted to exclude the proposed subject units as estimated by GPAC/LRPD.

Source: Maui County, Developers/Agents, & The Hallstrom Group, Inc.

Makena residential sectors the subject could expect to capture on an annual basis in light of its locational, pricing and amenity characteristics.

Generally moderate in application, this technique tests "pure" competitiveness and is considered the classic methodology, but does require judgment in the selection of factors.

Table 12 displays the Market Shares Method for the Honuaula single family inventory under conservative and optimistic demand and capture rate alternatives. We forecast the subject will be able to achieve market penetration, or a share, ranging from 15.5 to 16.6 percent of the total regional single family demand during its sales period, resulting in an absorption period of 8.7 to 13.7 years, or a mid-point of 11.2 years.

The multifamily analysis is shown on Table 13. Because of the latent demand for and high-desirability of the subject affordable/workforce housing component, it will experience rapid absorption of the 450 units of this product type, resulting in an atypically high market share while this inventory lasts.

We estimate that during the sales of the affordable-priced units the subject will capture in the mid to upper-40s percent of the regional multifamily demand. This figure is comprised of a circa 12 to 14 percent of total market share for the market-priced units and about a 36 percent share of the multifamily market flowing to the affordable-priced product.

Because eligible affordable unit purchasers represent some 45 percent of the total market that has been under-supplied for many years, and there will be limited (and much less competitive) future buying opportunities, Honuaula will capture a disproportionate share of demand. After they are sold out, the subject share will be comprised only of the market-priced units and drop down to 12 to 14 percent until sell-out.

TABLE 12

SUMMARY OF SUBJECT PROJECTED SINGLE FAMILY DEMAND LEVELS
USING THE MARKET SHARES METHOD
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Assuming Sales/Pre-Sales of 400 Subject Lots/Homes to Begin in 2012

Scenario One: Using Conservative Assumptions

Sales Year	Total Regional SF Demand (1)	Effective Subject Share	Indicated Total Subject Absorption
2012	181	10.00%	18
2013	181	12.00%	22
2014	181	15.00%	27
2015	181	17.00%	31
2016	183	17.00%	31
2017	183	17.00%	31
2018	183	17.00%	31
2019	183	17.00%	31
2020	183	17.00%	31
2021	188	17.00%	32
2022	188	17.00%	32
2023	188	17.00%	32
2024	188	17.00%	32
2025	188	10.00%	19
Totals	**2,579**	**15.51%**	**400**

Scenario Two: Using Optimistic Assumptions

Sales Year	Total Regional SF Demand (2)	Effective Subject Share	Indicated Total Subject Absorption
2012	266	12.00%	32
2013	266	14.00%	37
2014	266	16.00%	43
2015	266	19.00%	51
2016	269	19.00%	51
2017	269	19.00%	51
2018	269	19.00%	51
2019	269	19.00%	51
2020	269	12.50%	34
Totals	**2,409**	**16.62%**	**400**

ANALYSIS MID-POINT

11.2 Years	**2,494**	**16.04%**	**400**

(1) Using "Baseline" Demand Projections.
(2) Using "Historic Trend Run" Demand Projections.

Source: The Hallstrom Group, Inc.

TABLE 13

SUMMARY OF SUBJECT PROJECTED MULTI FAMILY DEMAND LEVELS
USING THE MARKET SHARES METHOD
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Assuming Pre-Sales of 750 Subject Units to Begin in 2012

Scenario One: Using Conservative Assumptions

Sales Year	Total Regional MF Demand (1)	Effective Subject Share	Indicated Total Subject Absorption
2012	162	42.00%	68
2013	162	44.00%	71
2014	162	46.00%	75
2015	162	46.00%	75
2016	181	46.00%	83
2017	181	46.00%	83
2018	181	46.00%	83
2019	181	46.00%	83
2020	181	46.00%	83
2021	199	12.00%	24
2022	199	11.00%	22
Totals	**1,949**	**38.45%**	**750**

Scenario Two: Using Optimistic Assumptions

Sales Year	Total Regional MF Demand (2)	Effective Subject Share	Indicated Total Subject Absorption
2012	193	44.00%	85
2013	193	46.00%	89
2014	193	48.00%	93
2015	193	48.00%	93
2016	215	48.00%	103
2017	215	48.00%	103
2018	215	48.00%	103
2019	215	14.00%	30
2020	215	14.00%	30
2021	238	9.00%	21
Totals	**2,086**	**35.97%**	**750**

ANALYSIS MID-POINT			
10.3 Years	**2,018**	**37.17%**	**750**

Note: Availability of affordable units within planned community will result in a meaningfully increased market share during the offering of those 450 subject units.

(1) Using "Baseline" Demand Projections.
(2) Using "Historic Trend Run" Demand Projections.

Source: The Hallstrom Group, Inc.

The indicated market share over the 10.2 year mid-point sales period is 37.2 percent.

The combined market shares application for all 1,150 subject units are displayed on Table 14. The indicated mid-point sales period required for full absorption is 11.4 years with an average capture rate of 23.2 percent of the total market.

As Honuaula product represents between 20 and 28 percent of the total residential inventory planned for the study area, achieving a 23 percent market share seems readily achievable with the high-desirability and likely market standing of the community.

Correlation

Based on absorption analysis, we estimate the full-absorption of the subject residential component will require just over 11 years, with a maximum sales rate of 128 units annually reached in the years immediately following initial ramp-up and while there are still affordable-priced units remaining. At stabilized mid-point absorption the project would sell 60 affordable units per year, along with 28 market-priced multifamily units and 40 single family homes/lots.

QUANTIFICATION OF DEMAND FOR SUBJECT COMMERCIAL USES

The proposed 100,000-square-foot commercial component is intended to meet the "neighborhood" and daily goods and services needs of the Honuaula community population, other users and employees, its immediate neighbors in Maui Meadows and north/mauka Wailea who have no commercial opportunities within their proximate trade area, and the passer-bys utilizing the Piilani Highway/Wailea Ike Drive intersection. It is not envisioned as serving any regional or major destination-based demand which may exist.

Therefore, our analysis is summary in nature and specifically assessing the reasonable level of demand for commercial floor space these identified user groups will express within the

TABLE 14

SUMMARY OF SUBJECT PROJECTED TOTAL UNIT DEMAND LEVELS
USING THE MARKET SHARES METHOD
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
Assuming Sales/Pre-Sales of 1,150 Subject Units to Begin in 2012

Scenario One: Using Conservative Assumptions

Sales Year	Total Regional Residential Demand (1)	Effective Subject Share	Indicated Total Subject Absorption
2012	343	25.11%	86
2013	343	27.11%	93
2014	343	29.64%	102
2015	343	30.70%	105
2016	364	31.40%	114
2017	364	31.40%	114
2018	364	31.40%	114
2019	364	31.40%	114
2020	364	31.40%	114
2021	387	14.43%	56
2022	387	13.91%	54
2023	387	8.25%	32
2024	387	8.25%	32
2025	387	4.86%	19
Totals	**5,126**	**22.42%**	**1,149**

Scenario Two: Using Optimistic Assumptions

Sales Year	Total Regional Residential Demand (2)	Effective Subject Share	Indicated Total Subject Absorption
2012	459	25.45%	117
2013	459	27.45%	126
2014	459	29.45%	135
2015	459	31.19%	143
2016	484	31.89%	154
2017	484	31.89%	154
2018	484	31.89%	154
2019	484	16.78%	81
2020	484	13.17%	64
2021	518	4.14%	21
Totals	**4,774**	**24.10%**	**1,151**

ANALYSIS MID-POINT			
11.4 Years	**4,950**	**23.23%**	**1,150**

Note: Availability of affordable units within planned community will result in a meaningfully increased market share during the offering of those 450 subject units.

(1) Using "Baseline" Demand Projections.
(2) Using "Historic Trend Run" Demand Projections.

Source: The Hallstrom Group, Inc.

context of the subject Village Mixed-Use and Clubhouse sites. The larger Kihei-Makena commercial market sector long-term demand and supply trends are not particularly relevant on a macro basis given the limited scale and targeted patronage.

For purposes of this assignment it is assumed the VMX sites will be used exclusively for commercial purposes and the primary focus of business activity in the community, with the two parcels totaling six acres supporting a combined 88,000 square feet of gross leasable area. The clubhouse pod will contain some 12,000 square feet of secondary commercial space in addition to the 12,000 square feet oriented towards the golf and club operations (including the pro shop, cart storage, maintenance areas, bar & grill, spa/fitness facilities).

As shown on Table 15, the demand for non-hotel retail and restaurant commercial space created by each person in the islands (de facto population) is about 20 square feet. On Maui, which is commercial space "rich" relative the other islands due to its large upper-end visitor industry, the total is 23 square feet of space per capita.

This demand for space is divided among several use types, such as neighborhood, regional, big box, destination, specialized, in-resort, etc. The "neighborhood" retail and restaurant segment is the largest component at up to 55 percent of total demand; the grocery, drug store, restaurants, bank, salon, and other businesses patronized on a regular/daily basis.

To efficiently and effectively attract and service potential customers, the business has to be located on a easy access/high exposure property within the briefest possible travel time for its target patrons. To the extent it takes longer than five to eight minutes to reach a store or restaurant, it is outside the desirable limits of a typical "neighborhood" trade area.

Traffic interception within the trade area is also a meaningful attribute. And, neighborhood retailers generally look favorably on underserviced trade areas populated be 3,000 to 5,000 persons.

TABLE 15

SUMMARY OF EXISTING RETAIL/RESTAURANT COMMERCIAL SPACE DEVELOPMENT IN HAWAII
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
As of First Quarter 2009, Major Islands Only

County	C& C of Honolulu	Maui	Kauai	Hawaii	State Totals
Resident Population	918,194	144,159	64,061	173,290	1,283,388
De Facto Population	1,000,194	189,159	84,061	198,290	1,471,704
1. Summary of Inventory					
Number of Major Retail Centers	123	51	16	36	226
Gross Leasable Area in Centers (1) (Square Feet)	16,555,631	3,875,941	1,218,989	3,110,518	24,761,079
Other Gross Leasable Area (2) (Square Feet)	3,475,000	510,000	192,500	625,000	4,802,500
Total Estimated Commercial GLA (Square Feet)	**20,030,631**	**4,385,941**	**1,411,489**	**3,735,518**	**29,563,579**
2. Per Capita Spatial Allowance ***(Square Feet per Person)***					
Per Resident Population Member	21.82	30.42	22.03	21.56	23.04
Per De Facto Population Member	20.03	23.19	16.79	18.84	20.09

(1) Complexes with circa 50,000 square feet and up.
(2) Includes smaller projects and hotels. Does not include space within mixed-use, multi-tenant buildings located in Light Industrial parks.

Source: CB Richard Ellis, State DBEDT and The Hallstrom Group, Inc.

Within these broad demand parameters, the Honuaula commercial component appears to be an appropriately supportable use, vital not only to the lifestyle of the subject community but also a well-placed attribute to the immediate trade area.

Table 16 contains a summary calculation of stabilized demand for general/neighborhood commercial uses which would likely seek location in the subject projects at build-out.

Starting with an estimate of daily de facto population of 1,871 persons (discussed in the Economic Impact Analysis section), the average per capita demand for neighborhood retail and restaurant space is quantified at 11.0 square feet. Added to this are allowances for other non-retail/restaurant uses found within modern suburban trade areas, including Service Commercial, Medical, Support Commercial, and Neighborhood Business Office.

The cumulative demand for local-oriented commercial space is estimated at 20.9 square feet per person within the Honuaula community, or 39,100 square feet total. The subject businesses would be expected to capture virtually all of this residential neighborhood-based patronage. To this figure is combined with an allowance of 5,000 square feet of secondary demand arising from the members, guests and other patrons of the golf operation, which would flow to restaurants/lounges, apparel boutiques, and upper-end specialty shops in the clubhouse development. The total on-site demand created at stabilization will be some 44,000 square feet.

Other patronage sources were estimated as a percentage of base subject population demand at:

- 25 percent for employees, day workers, and other daily visitors to the community.

- 85 percent for nearby populations within the trade area which are currently not-serviced. This is a moderate allowance given there are some 3,000 in-place persons comprising the group, creating demand for circa 63,000

TABLE 16

SUMMARY OF NEIGHBORHOOD COMMERCIAL SPACE DEMAND
CREATED BY SUBJECT RESIDENTS AT BUILD-OUT
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii

1. Stabilized Subject Population		
Full-Time Residents		1,541
Non-Full Time Resident Owners and Guests (1)		292
Total Daily De Facto Population		1,833
2. Per Capita Demand for Commercial Space (in Gross Square Feet per Person)		
Total for All Commercial Needs		20.0
"Neighborhood" Space Demand as Percent of Total (2)		55%
Total Per Capita "Neighborhood" Commercial Space Demand in Square Feet		11.0
Allowance for "Service Commercial/Medical" Space		4.4
Allowance for "Support Commercial" Space		2.8
Allowance for "Neighborhood Business" Office Space		2.8
Total Per Capita Floor Space Demand for Local-Oriented Commercial Space		20.9
3. Indicated Subject Commercial Floor Space Demand		
From Community De Facto Population		38,306
From Golf Course/Clubhouse Members/Users		5,000
Patronage From Other Sources	**% of Community Demand**	
Employees and Day Workers in Community	25%	9,576
Nearby Population in Non-Subject Projects (3)	85%	32,560
Passer-Bys/Intercept and Others	30%	11,492
Total Estimated Gross Floor Space Demand at Stabilization		**96,934**

(1) "Guests" are non-owners visiting units owned by non-residents. There will be no Transient Vacation Rentals in the project.
(2) Subject developers are not seeking to attract significant levels of outside patrons via Regional, Specialty or Destination type commercial development, but to provide community residents and other users will proximate goods and services.
(3) The subject commercial space will be the most proximate neighborhood shopping opportunity for Maui Meadows, Mauka North Wailea, and along upper Okolani Drive. this immediate trade area has a de facto population of several thousand persons.

Source: The Hallstrom Group, Inc.

square feet of neighborhood-type businesses. We are assuming the subject centers capture only about half this demand even though they will be the most proximate and readily reachable alternative.

- 30 percent for passer-bys entering/exiting the Wailea-Makena region via Piilani Highway and Wailea Ike Drive, the intercept potentials the subject will have by being the closest non-resort shopping alternatives for the Wailea and Makena populations, and other incidental patronage groups.

The total quantified, specifically demonstrable demand for the Honuaula commercial component is 98,900 square feet; or, commensurate with the 100,000 square feet proposed in the master plan.

ECONOMIC IMPACTS OF THE PROPOSED DEVELOPMENT

The development of Honuaula will result in significant expenditures that will favorably impact the Maui economy on both a direct and indirect basis, increasing the level of capital investment and capital flow in the region, which will in turn create employment and widen the tax base.

From a direct perspective, the proposed 400 single-family homes, 750 multi-family units, golf course facility and 100,000 square foot of commercial space will create numerous construction, equipment operator and specialty trade jobs on- and off-site, directly and indirectly, during the planning and emplacement of the infrastructure, and building of the improvements.

After completion of the common systems, vertical construction, support facilities and amenities over a multi-phase, one to two decade development period, there will be permanent employment positions created by the golf course, clubhouse, retail/commercial operations, and the buildings themselves

(landscape, service, maintenance, and renovation needs in the course of their use).

Numerous local businesses will see significant profit opportunities arising for contracting companies constructing the improvements, and for local businesses which would supply a substantial portion of the materials needed in the building efforts.

The general island economy also will benefit from the subject development, as its residents, non-resident owners/users, employees and businesses will spend large amounts of discretionary income in off-site shops, restaurants, and service establishments throughout Maui, and in purchasing goods and services. Non-residents owners, users and their guests will be generally upper-income and have daily expenditures comparable with those found at Hawaii's upscale vacation communities.

Indirectly, as these wages, profits, and expenditures move through the regional economy, they will have a ripple, or "multiplier," effect which increases the amount of capital flowing to the entire community resulting from the development of the subject.

Construction, operational and other workers earning wages via Honuaula development and associated off-site/supporting efforts will spend the majority of their income on living and entertainment expenses while supporting and patronizing other island businesses. Much of this spending would be re-directed by these businesses to other island industries, and significant portions of these secondary profits would in turn be put back through the region's economic and tax structure.

These substantial direct and indirect economic impacts associated with the proposed subject project, as quantified in the following sections, are all the result of the capital investment and entrepreneurship necessary to convert undeveloped, fair/poor quality agricultural lands into a low intensity diverse residential community. The Maui County economy will be meaningfully stimulated by the capital investments,

population/user spending and business operations of the development.

We note, our economic modeling is based on a 13-year build-out and absorption period. The construction may take longer, particularly if large numbers of house lots are sold instead of finished homes. However, whether full development takes 10 or 20 years, the stabilized "operation" of the community and its de facto population will be the same following completion. As constant, uninflated 2009 dollars are used throughout the model, time is not a significant variable in the analysis.

It is anticipated that final approvals, surveys and planning will require approximately 18 months (through 2010), the initial phase of infrastructure and product development occurring over a two-year period (2011-2012), with occupancy and use commencing at the beginning of 2013. Pre-sales would begin in early 2012 with the first closing at year-end.

Infrastructure would be completed in a series of connected phases, which we have spread over five years for modeling purposes, with finished inventory being delivered on a consistent basis from 2013 through build-out in 2023.

Capital Investment and Construction Costs

The subject will bring an estimated $1.2 billion in direct development capital into Maui over the build-out period for the project, as summarized on Table 17.

Infrastructure cost estimates prepared for Honuaula Partners LLC are forecast at $236.5 million, including design, beach club, entitlement and indirect expenses incurred in the islands. The golf course and golf-oriented clubhouse facilities were estimated at $45.0 million. The first phase of infrastructure, and the course and clubhouse would be finished during the initial two-year construction increment.

Unit/Home construction costs would total $907.2 million during modeling period. This is based on average vertical construction costs per unit of:

TABLE 17

CONSTRUCTION COSTS AND CONTRACTOR AND SUPPLIER PROFIT ESTIMATES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

	2011	2012	2013	2014	2015	2016	2017
Development Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	Infrastructure and Initial Product Completed During First Two Years		**Occupancy & Use Begins**				
Construction Costs (1)							
Infrastructure (2)	$94,600,000	$47,300,000	$47,300,000	$23,650,000	$23,650,000		
Golf Course Construction (3)	$22,500,000	$22,500,000					
Commercial Construction (4)		$9,097,000	$11,253,000			$7,150,000	
Unit/Home Construction		$59,714,496	$72,027,432	$84,340,368	$91,540,368	$91,540,368	$91,540,368
TOTAL CONSTRUCTION COSTS	**$117,100,000**	**$138,611,496**	**$130,580,432**	**$107,990,368**	**$115,190,368**	**$98,690,368**	**$91,540,368**
CONTRACTOR'S PROFIT	**$11,710,000**	**$13,861,150**	**$13,058,043**	**$10,799,037**	**$11,519,037**	**$9,869,037**	**$9,154,037**
SUPPLIER'S PROFIT	**$3,738,000**	**$5,071,460**	**$4,750,217**	**$4,083,115**	**$4,371,115**	**$3,947,615**	**$3,661,615**

	2018	2019	2020	2021	2022	2023	
Development Year	**8**	**9**	**10**	**11**	**12**	**13**	**Totals**
Construction Costs (1)							
Infrastructure (2)							**$236,500,000**
Golf Course Construction (3)							**$45,000,000**
Commercial Construction (4)							**$27,500,000**
Unit/Home Construction	$91,540,368	$86,500,368	$81,460,368	$81,460,368	$67,060,368	$8,521,560	**$907,246,800**
TOTAL CONSTRUCTION COSTS	**$91,540,368**	**$86,500,368**	**$81,460,368**	**$81,460,368**	**$67,060,368**	**$8,521,560**	**$1,216,246,800**
CONTRACTOR'S PROFIT	**$9,154,037**	**$8,650,037**	**$8,146,037**	**$8,146,037**	**$6,706,037**	**$852,156**	**$121,624,680**
SUPPLIER'S PROFIT	**$3,661,615**	**$3,460,015**	**$3,258,415**	**$3,258,415**	**$2,682,415**	**$340,862**	**$46,284,872**

(1) Estimates for "Infrastructure" and "Golf Course" items provided by Honuaula Partners LLC. Vertical construction estimates generated by The Hallstrom Group, Inc.
(2) Assuming on-going, multi-phase project, with the initial increment requiring circa 18 month construction period.
(3) Assumes circa 24 month construction period, including 12,000 square foot facility for clubhouse and golf-oriented uses. Costs divided evenly between Years 1 and 2.
(4) Assuming circa 18 month construction period, with 1/3 of costs in Year 2, the remaining 2/3 in Year 3 for initial center, and one year construction for second center in Year 6.

Source: As Cited, and The Hallstrom Group, Inc.

- $168,000 for the affordable-priced multifamily units (average size of 800 square feet and construction cost of $210 per square foot, exclusive of land).

- $540,000 for the market-priced townhouse multifamily units (average size of 1,800 square feet at $300 per square foot).

- $1,008,000 for the luxury villa units (2,400 square feet at $420 per square foot).

- $1,440,000 for the single family homes (average size of 3,000 square feet at $480 per square foot).

The estimates include allowances for landscaping and common element emplacement expenses, and as noted the sizes and associated costs of the single family component could be much higher, ranging up to 5,000+ square feet estates with multi-million dollar construction budgets

Commercial construction is estimated to cost $27,500,000 total, all-in including any tenant allowances, which is based on a figure of $275 per square foot overall for the 88,000 square feet in the two primary Village Mixed-Use centers and the 12,000 square feet of non-golf oriented floor space to be located adjacent to the clubhouse facility.

Honuaula development will infuse on average an anticipated $92.1 million annually into the Maui building industry on average over the build-out period. This will provide a significant near to mid-term boost for the construction trades, which have been hit particularly hard during the current recession.

Direct Business Profits From Construction

While a significant percentage of the materials needed to build the subject infrastructure, golf course facility, and residential and commercial structures must be imported to Maui, a portion of the construction costs spent in the development will directly

flow to local businesses in the form of contractor profits and supplier profits.

Typically, within the industry net contractor profit margins are expected to be at 8 to 20 percent of total construction costs. We have used a conservative ten percent figure. Supplier profits were extrapolated at four percent of total costs. The estimates were shown along the bottom of Table 17.

The total Contractor's Profit generated by Honuaula for local building companies ranges from $850,000 to $13,500,000 per year, with a cumulative profit of $119.6 million over the construction period. The total annual Supplier's Profit ranges from a low of $340,000 to a high of $4,950,000, and equates to $45.7 million in aggregate.

Employment Opportunities Created

Based on indicators provided by the construction of comparable sized projects and Hawaii industry averages, we have estimated the demand for on- and off-site, direct and indirect, full-time equivalent employment positions associated with laying of initial infrastructure systems, golf facility, construction of the units/homes and commercial spaces, the on-going businesses in the project, and in providing continuing services to the occupied buildings.

The construction, maintenance, and indirect/off-site employment opportunities created by the subject development will not be "new" jobs requiring new Maui residents, but will be vitally needed new opportunities for in-place resident construction trade workers and existing local businesses. The jobs associated with the golf, commercial, and owners association operations will represent an expansion of the employment pool; although, some tenants in the commercial centers may be relocating from elsewhere and not generate "new" positions.

It is assumed the off-site/indirect work created will be steered towards existing Maui supply, equipment providers, and other service companies, which are experiencing a "lean" period

following the large scale development activity earlier in the decade.

In this regard, the combination of employment types generated by the subject development with most going to support existing businesses, but providing a not insubstantial number of new employment opportunities, is what is needed in Maui over the coming five years.

Overall, unemployment on the island is presently at 8.5 percent, among the highest levels in this generation, with many businesses continuing to cut back workers. So there is a need to both bolster existing companies so they can recover "lost" jobs and to provide some new employment for the natural growth of the community. Each year in Maui some 1,600 youths turn 18 and become potential entrants into the workforce, with most requiring either a job opportunity or facing out-migration.

Our employment estimates on are based on full-time "worker-years," although one worker-year (or circa 2,080 working hours) may be comprised of many employees involved in specialized tasks of a much shorter duration.

Our projections are founded on examples provided by various resort/residential developments undertaken on the neighbor islands over the past decade, and via formulae expressing relationships between total worker wages/benefits and construction task costs.

Infrastructure and golf course construction employment forecasts are taken from discussions with developers, review of project records and ratios of direct costs to job creation, which currently project one worker-year for every $500,000 in development costs expended. The ratio of job creation to costs is relatively low for these components due to the high equipment, materials and systems expenses associated with major site work.

Unit/home and commercial vertical construction, which are more labor intensive in regards to overall costs, are anticipated

to require one worker-year per $300,000 in construction expenses.

Golf operations are estimated at 28 full-time equivalent positions encompassing the pro shop, starter/range personnel, course and equipment maintenance, and management, based on the experience of similar quality neighbor island facilities.

Commercial operations in the Village Mixed-Use centers and within the clubhouse pod are forecast to generate one FTE for every 400 square feet of gross floor area.

The finished homes, condominium units, and community assets will require maintenance, landscaping, service, and renovation and repair workers and common element staff. We project centralized community management and upkeep personnel of seven workers, with maintenance and common element staff at the equivalent of one FTE worker for every 15 completed residential units.

Off-site employees were estimated at 33 percent of on-site workers, and are comprised of three groups:

- Off-site building/trade industry positions will be enhanced by the subject development, including such jobs as administration, office help, material providers, equipment maintenance and specialty tasks.

- Off-site support businesses, including contractor/retail/counter sales, fuel providers, shipping, storage and professional services will also benefit.

- Each on-site worker creates demand for services (and related employment) during and directly attributable to the work day. These positions include food businesses, providers of tools and trade goods, payroll/financial and insurance businesses, medical requirements and other secondary indirect/off-site employment.

Application of these ratios to the proposed Honuaula master plan is shown on the top half of Table 18, which is spread across two pages as are many of the tables in this section of the report.

During the 13-year modeling period the number of worker-years created on- and off-site, directly and indirectly, by the development varies from 351 to 868 positions annually, totaling 9,537 worker-years over the entire timeframe. Of this total, 3,692 worker-years (an annual average of 284 positions) are direct construction-oriented, 3,480 (or 268 per year) are on-going, on-site business operating and maintenance positions; and 2,366 are off-site/indirect worker-year requirements.

On a stabilized basis, after the completion of construction (year 13 and beyond), the project will generate some 518 permanent full-time equivalent employment opportunities--382 directly related to on-site activities, and 136 indirect positions throughout the island.

Wage Income Generated

In accordance with data compiled by the state Department of Labor and Industry Relations, as tempered through our analysis, we have estimated the personal income (in the form of wages) which will flow to Maui workers as a result of Honuaula construction and use. The results are presented along the bottom of Table 18 in correspondence to the estimate worker requirements.

The gross full-time equivalent wage estimates for a worker-year according to the identified employment categories for 2009 are as follows:

- Construction workers (covering all trades), $71,000 per year.
- Golf course employees, $30,000 annually.
- Commercial businesses workers, $34,000.

TABLE 18

EMPLOYEE JOB COUNT AND WAGE ESTIMATES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	Infrastructure and Initial Product Built 1	2	Occupancy & Use Begins 3	4	5	6	7	8
Worker Requirements (1)								
Infrastructure Construction (2)	189	95	95	47				
Golf Course Construction (2)	75	75						
Commercial Construction (3)		30	38			24		
Unit/Home Construction (3)		199	240	281	305	305	305	305
Golf Course Employees (4)			28	28	28	28	28	28
Commercial Businesses Workers (5)			143	205	205	205	250	270
Maint. & Common Element Staff (6)			14	21	28	35	42	49
Off-Site Employees (7)	87	132	184	192	187	197	206	215
TOTAL EMPLOYMENT CREATED	**351**	**531**	**741**	**775**	**754**	**795**	**832**	**868**
Worker Wages								
Infrastructure (8)	$13,433,200	$6,716,600	$6,716,600	$3,358,300	$0	$0	$0	$0
Golf Construction (8)	$5,325,000	$5,325,000	$0	$0	$0	$0	$0	$0
Commercial Construction (8)	$0	$2,152,957	$2,663,210	$0	$0	$1,692,167	$0	$0
Unit/Home Construction (8)	$0	$14,132,431	$17,046,492	$19,960,554	$21,664,554	$21,664,554	$21,664,554	$21,664,554
Golf Course/Clubhouse Employees (9)	$0	$0	$840,000	$840,000	$840,000	$840,000	$840,000	$840,000
Commercial Businesses Workers (10)	$0	$0	$4,845,000	$6,970,000	$6,970,000	$6,970,000	$8,500,000	$9,180,000
Maint. & Common Element Staff (11)	$0	$0	$590,864	$877,864	$1,164,864	$1,451,864	$1,738,864	$2,025,864
Off-Site Employees (11)	$3,574,626	$5,398,086	$7,537,736	$7,885,905	$7,665,366	$8,082,541	$8,463,636	$8,828,946
TOTAL ANNUAL WAGES PAID	**$22,332,826**	**$33,725,074**	**$40,239,902**	**$39,892,623**	**$38,304,784**	**$40,701,125**	**$41,207,054**	**$42,539,364**

(1) All job counts expressed as "full-time" equivalent positions.
(2) Based on one worker year for every $500,000 in construction costs.
(3) Based on one worker year for every $300,000 in construction costs.
(4) For course operations and pro shop only. Workers in clubhouse commercial areas accounted for in "Commercial Businesses" category.
(5) For employees in non-golf clubhouse businesses and in the two commercial centers. Ratio of one FTE worker for each 400 SF of GLA.
(6) Includes common element administration and maintenance staff of 7 jobs, and ratio of one full-time-equivalent landscaping/maintenance/repair worker for every 15 units.
(7) Off-site employees at 33% of on-site workers.
(8) Based on average annual wages of $71,000.
(9) Based on average annual wage of $30,000.
(10) Based on average annual wage of $34,000.
(11) Based on average annual wage of $41,000.

Source: Various, and The Hallstrom Group, Inc.

TABLE 18 -- Continued

EMPLOYEE JOB COUNT AND WAGE ESTIMATES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	9	10	11	12	13	Totals for Years 1 Through 13	Stabilized Annually Thereafter
Worker Requirements (1)							
Infrastructure Construction (2)						426	
Golf Course Construction (2)						150	
Commercial Construction (3)						92	
Unit/Home Construction (3)	288	272	272	224	28	3,024	
Golf Course Employees (4)	28	28	28	28	28	308	28
Commercial Businesses Workers (5)	270	270	270	270	270	2,628	270
Maint. & Common Element Staff (6)	56	63	70	77	84	544	84
Off-Site Employees (7)	212	209	211	198	136	2,366	136
TOTAL EMPLOYMENT CREATED	**855**	**842**	**851**	**797**	**546**	**9,537**	**518**
Worker Wages							
Infrastructure (8)						$30,224,700	
Golf Construction (8)						$10,650,000	
Commercial Construction (8)						$6,508,333	
Unit/Home Construction (8)	$20,471,754	$19,278,954	$19,278,954	$15,870,954	$2,016,769	$214,715,076	
Golf Course/Clubhouse Employees (9)	$840,000	$840,000	$840,000	$840,000	$840,000	$9,240,000	$840,000
Transient Unit Support Employees (10)	$9,180,000	$9,180,000	$9,180,000	$9,180,000	$9,180,000	$89,335,000	$9,180,000
Maint. & Common Element Staff (11)	$2,312,864	$2,599,864	$2,886,864	$3,173,864	$3,460,864	$22,284,505	$3,460,864
Off-Site Employees (11)	$8,696,352	$8,563,758	$8,658,468	$8,103,738	$5,558,348	$97,017,503	$5,558,348
TOTAL ANNUAL WAGES PAID	**$41,500,970**	**$40,462,576**	**$40,844,286**	**$37,168,556**	**$21,055,981**	**$479,975,118**	**$19,039,212**

(1) All job counts expressed as "full-time" equivalent positions.
(2) Based on one worker year for every $500,000 in construction costs.
(3) Based on one worker year for every $300,000 in construction costs.
(4) For course operations and pro shop only. Workers in clubhouse commercial areas accounted for in "Commercial Businesses" category.
(5) For employees in non-golf clubhouse businesses and in the two commercial centers. Ratio of one FTE worker for each 400 SF of GLA.
(6) Includes common element administration and maintenance staff of 7 jobs, and ratio of one full-time-equivalent landscaping/maintenance/repair worker for every 15 units.
(7) Off-site employees at 33% of on-site workers.
(8) Based on average annual wages of $71,000.
(9) Based on average annual wage of $30,000.
(10) Based on average annual wage of $34,000.
(11) Based on average annual wage of $41,000.

Source: Various, and The Hallstrom Group, Inc.

- Maintenance/common element and off-site and indirect employment, $41,000.

Overall average wages paid via the subject development are equal to $50,330 per worker-year created during the modeling time-frame.

In the first year of development, the "Total Annual Wages Generated" by the subject development effort would be $22.3 million, increasing to as high as $42.5 million in year 8. After completion of all construction, the stabilized on-going golf course and commercial operations, maintenance/common element, off-site and indirect employment would result in total annual wages of $19 million thereafter in uninflated 2009 dollars. This is equates to an average wage of $36,750 per worker-year.

During the development period, on- and off-site, direct and indirect worker wages would total $480 million.

Population, Income and Expenditures

The homes and units of Honuaula will be a collection of primary and second home residences. These resident households and non-resident owners and guests will constitute the de facto population of the community members, whose income and discretionary expenditures will create major positive impacts on the Maui economy.

We have quantified these focal statistics within the modeling process. The results are shown on Table 19.

The top half of the table depicts the construction/absorption of the 1,150 residential units and their expected division between resident and non-resident ownership. We project that 649 of the subject units/homes, including the large majority of multifamily units will be purchased by full-time residents, with the remaining 501 units, including the majority of single family product, will be bought by non-residents.

TABLE 19

DE FACTO POPULATION AND DISCRETIONARY EXPENDITURES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	2013 Occupancy Commences 3	4	5	6	7	8
Cumulative Unit/Home Development						
Multifamily Unit Development	76	158	246	334	422	510
Single Family Home Development	25	55	90	130	170	210
Total Finished Rooms/Units/Homes	101	213	336	464	592	720
Use by Product type						
Full-Time Resident Multifamily Units	69	138	207	276	345	414
Non-Resident Multifamily Units	7	20	39	58	77	96
Full-Time Resident Single Family Homes	5	11	18	26	34	42
Non-Resident Single Family Homes	20	44	72	104	136	168
Total	**101**	**213**	**336**	**464**	**592**	**720**
Average Daily Resident/Guest Population						
Full-Time Residents (1)	181	365	551	740	929	1,117
Non-Residents and Their Guests (2)	15	36	62	91	119	148
Total De Facto Population	**196**	**401**	**613**	**831**	**1,048**	**1,265**
Total Full-Time Resident Population	181	365	551	740	929	1,117
Estimated Actual Public School Children (3)	44	88	132	178	223	268
FULL-TIME RESIDENT HOUSEHOLD INCOME (4)	**$8,103,000**	**$16,315,500**	**$24,637,500**	**$33,069,000**	**$41,500,500**	**$49,932,000**
OWNER/GUEST DISCRETIONARY (TAXABLE) EXPENDITURES (5)	**$7,474,470**	**$15,837,715**	**$25,089,735**	**$34,739,970**	**$44,390,205**	**$54,040,440**

(1) Assumes 98% occupancy of units with average household size of 2.5 persons.
(2) Assumes 20% occupancy with average party size of 2.8 persons.
(3) Estimated at 24% of the resident population.
(4) Estimated at circa $109,500 annually per full-time resident household based on unit mix and pricing guidelines, or about 145% of the expected 2009 household average for Maui.
(5) Based on average daily expenditures of $400 daily for non-resident owners & guests, and 65% of resident household incomes.

Source: Various, and The Hallstrom Group, Inc.

TABLE 19 -- Continued

DE FACTO POPULATION AND DISCRETIONARY EXPENDITURES
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	9	10	11	12	Stabilized 13	Totals Years 1 Through 13
Cumulative Unit/Home Development						
Multifamily Unit Development	598	656	684	712	750	750
Single Family Home Development	250	290	330	370	400	400
Total Finished Rooms/Units/Homes	848	946	1,014	1,082	1,150	1,150
Use by Product type						
Full-Time Resident Multifamily Units	483	522	531	540	549	549
Non-Resident Multifamily Units	115	134	153	172	201	201
Full-Time Resident Single Family Homes	50	58	66	74	80	80
Non-Resident Single Family Homes	200	232	264	296	320	320
Total	**848**	**946**	**1,014**	**1,082**	**1,150**	**1,150**
Average Daily Resident/Guest Population						
Full-Time Residents (1)	1,306	1,421	1,463	1,504	1,541	1,541
Non-Residents and Their Guests (2)	176	205	234	262	292	292
Total De Facto Population	**1,482**	**1,626**	**1,696**	**1,766**	**1,833**	**1,833**
Total Full-Time Resident Population	1,306	1,421	1,463	1,504	1,541	1,541
Estimated Actual Public School Children (3)	313	341	351	361	370	370
FULL-TIME RESIDENT HOUSEHOLD INCOME (4)	**$58,363,500**	**$63,510,000**	**$65,371,500**	**$67,233,000**	**$68,875,500**	**$496,911,000**
OWNER/GUEST DISCRETIONARY (TAXABLE) EXPENDITURES (5)	**$54,936,150**	**$61,679,160**	**$66,779,670**	**$71,880,180**	**$77,034,710**	**$513,882,405**

(1) Assumes 98% occupancy of units with average household size of 2.5 persons.
(2) Assumes 20% occupancy with average party size of 2.8 persons.
(3) Estimated at 24% of the resident population.
(4) Estimated at circa $109,500 annually per full-time resident household based on unit mix and pricing guidelines, or about 145% of the expected 2009 household average for Maui.
(5) Based on average daily expenditures of $400 daily for non-resident owners & guests, and 65% of resident household incomes..

Source: Various, and The Hallstrom Group, Inc.

It is projected the average resident household size will be 2.5 persons, and that units will be occupied on average 98 percent of the time. This equates to a stabilized resident population of 1,541 persons upon build-out. These figures are taken from our macro demand analysis.

Based on investigation of similar quality projects on Maui and in West Hawaii, we estimate that the non-resident units will be occupied 20 percent of the time with an average party size of 2.8 persons. This generates an average daily non-resident population count of 292 persons.

The total de facto population at build-out is forecast to be 1,833 persons.

Of the full-time resident group, we estimate 24 percent, or 370 persons will be of school age (5 to 18).

Based on affordable-pricing guidelines coupled with the level of income necessary to support the purchase of the market-priced inventory, we estimate the average annual income for resident households at Honuaula will be $109,500 in 2009 dollars. This is the equivalent of 145 percent of Maui average (excluding Hana). During occupancy of the build-out period, the total resident household income will be $496.9 million, and at $68.9 million annually thereafter.

The de facto population of the project will place significant discretionary expenditure dollars into the Maui economy. This will be comprised of the year-round, daily expenditures by the full-time resident group, and the purchases made by non-resident owners and guests during use of their units. In light of the cost of the market-priced finished homes and units, the non-resident segment will be in the upper-income brackets with substantial available income for such spending.

We estimate that full-time resident households will spend about 50 percent of their total income on discretionary items, with the remainder going towards mortgage debt service and fixed expenses. The daily per capita spending by non-resident owners and their guests in the Maui economy is estimated will

be on average $400; or about double what the typical Maui visitor spends daily. This pays for all food, entertainment, household goods, locally purchased fixtures and furnishings, utilities, clothing, and other daily items.

By build-out, the total de facto population discretionary expenditures made by subject project owners in the local market will be at $77 million annually on a stabilized basis, in 2009 dollars. During the 13-year development and stabilization model period, the total sum of these expenditures will be $513.9 million.

While meaningful portions of these discretionary income will be spent in the on-site "neighborhood" businesses and via the golf facility, much will flow into other South Maui and islandwide companies.

Operating Economic Activity

The estimated level of total gross on-site economic activity within the proposed Honuaula community during the modeling period and on a stabilized basis is summarized on Table 20. The contributing activity includes:

- Commercial Operations in the 100,000 square feet of leasable area in the primary general/neighborhood mixed-use centers at the entry to the project (88,000 square feet) and the secondary non-golf oriented floor space in the clubhouse pod (12,000 square feet). Also included is the estimated 8,000 square feet of golf and club-related commercial business within the clubhouse facility (apart from the pro shop/course operations spaces). Overall, these businesses are projected to have average sales volumes of $800 per square foot annually, of which an estimated 45 percent will be from the on-site population and 55 percent will be from outside project patronage.

- Golf Club Operations produce modest gross revenues on an on-going basis due to the membership orientation of the club, which limits daily use/play fees collected, and

TABLE 20

PROJECTION OF OPERATING ECONOMIC ACTIVITY
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	Operations Commence 3	4	5	6	7	8	9
1. Commercial Operations (1)							
Annual Gross Sales	**$16,000,000**	**$45,600,000**	**$65,600,000**	**$65,600,000**	**$65,600,000**	**$80,000,000**	**$86,400,000**
In-Project Patronage Percentage	45%	45%	45%	45%	45%	45%	45%
Outside Project Patronage Expenditures	**$8,800,000**	**$25,080,000**	**$36,080,000**	**$36,080,000**	**$36,080,000**	**$44,000,000**	**$47,520,000**
2. Golf Club Operations (2)							
Total Sales/Year	**$3,864,000**	**$4,416,000**	**$4,968,000**	**$5,520,000**	**$5,520,000**	**$5,520,000**	**$5,520,000**
In-Project Patronage Percentage	70%	70%	70%	70%	70%	70%	70%
Outside Project Patronage Expenditures	**$1,159,200**	**$1,324,800**	**$1,490,400**	**$1,656,000**	**$1,656,000**	**$1,656,000**	**$1,656,000**
3. Maintenance/Landscaping/Renovations (3)							
Total Sales/Year	**$400,000**	**$800,000**	**$1,200,000**	**$1,600,000**	**$2,000,000**	**$2,400,000**	**$2,800,000**
In-Project Patronage Percentage	100%	100%	100%	100%	100%	100%	100%
Outside Project Patronage Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
ANNUAL OPERATING ECONOMIC ACTIVITY	**$20,264,000**	**$50,816,000**	**$71,768,000**	**$72,720,000**	**$73,120,000**	**$87,920,000**	**$94,720,000**
Outside Project Patronage Expenditures	**$9,959,200**	**$26,404,800**	**$37,570,400**	**$37,736,000**	**$37,736,000**	**$45,656,000**	**$49,176,000**

Development Year	10	11	12	13	Totals Years 1 Through 13	Stabilized Operations
1. Commercial Operations (1)						
Annual Gross Sales	**$86,400,000**	**$86,400,000**	**$86,400,000**	**$86,400,000**	**$770,400,000**	**$86,400,000**
In-Project Patronage Percentage	45%	45%	45%	45%	45%	45%
Outside Project Patronage Expenditures	**$47,520,000**	**$47,520,000**	**$47,520,000**	**$47,520,000**	**$423,720,000**	**$47,520,000**
2. Golf Club Operations (2)						
Total Sales/Year	**$5,520,000**	**$5,520,000**	**$5,520,000**	**$5,520,000**	**$22,080,005**	**$5,520,000**
In-Project Patronage Percentage	70%	70%	70%	70%	20%	22%
Outside Project Patronage Expenditures	**$1,656,000**	**$1,656,000**	**$1,656,000**	**$1,656,000**	**$6,624,000**	**$4,305,600**
3. Maintenance/Landscaping/Renovations						
Total Sales/Year	**$3,200,000**	**$3,600,000**	**$4,250,000**	**$5,000,000**	**$16,050,000**	**$5,000,000**
In-Project Patronage Percentage	100%	100%	100%	100%	100%	100%
Outside Project Patronage Expenditures	**$0**	**$0**	**$0**	**$0**	**$471,328,000**	**$0**
ANNUAL OPERATING ECONOMIC ACTIVITY	**$95,120,000**	**$95,520,000**	**$96,170,000**	**$96,920,000**	**$383,730,000**	**$96,920,000**
Outside Project Patronage Expenditures	**$49,176,000**	**$49,176,000**	**$49,176,000**	**$49,176,000**	**$196,704,000**	**$49,176,000**

(1) Estimated average sales for all commercial uses at $800 per square foot of floor space, per year. Includes 20,000 square feet in Golf Course Clubhouse project.
(2) Includes monthly membership expenditure requirements for 375 golf memberships and 600 beach memberships, guests of members green fees, pro shop sales and lessons, and minor misc. revenues.

Source: The Hallstrom Group, Inc.

are anticipated to stabilize at $5.5 million per year, with 70 percent being spent by in-project members and users. We have not included initial membership fees in our analysis.

- Maintenance/Landscaping/Renovations will be required by the residential components of the development. We have estimated these costs for the 450 affordable-priced multifamily units will be an average $2,000 per year; at $3,000 per year for the market-priced multifamily units; and, $8,000 per year for the single family inventory.

Overall, Honuaula will create taxable gross operating revenues of $96.9 million per year following stabilization, of which about $49.2 million (or just over half) will be from outside project patronage and $47.7 million will be spent by the on-site population. During the development period, this model projects total on-site sales of $383.7 million.

Summary of Direct, Local Economic Impacts

As correlated on Table 21, annual Total Base Economic Impact from the subject increases from $37.8 in year 1 of the development effort to a peak of $168.2 million by year 11 (in 2009 dollars) before stabilizing after build-out at $145.2 million per year. During the development period, the aggregate total is $1.6 billion.

These dollars will be spent, then re-spent, on goods and services on the island, diminishing in impact on the local economy with each turnover as a portion flows off Maui for goods, services and financing commitments. First Hawaiian Bank studies have concluded the appropriate economic multiplier rates in Hawaii are from 1.2 to 3.5 times (or 20 to 250 percent) of the base impact amount. Mainland studies (by the Urban Institute and others) tend toward the upper end of this range, and reach multipliers as high as 4.0.

Due to the need to import more than 80-plus percent of supplies/goods used on Maui, the multiplier impact for the island is not as great as for mainland locales, particularly for

TABLE 21

SUMMARY OF ECONOMIC IMPACTS ASSOCIATED WITH DEVELOPMENT
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	1	2	3	4	5	6	7	8
ANNUAL WAGES GENERATED	$22,332,826	$33,725,074	$40,239,902	$39,892,623	$38,304,784	$40,701,125	$41,207,054	$42,539,364
CONTRACTOR'S PROFIT	$11,710,000	$13,861,150	$13,058,043	$10,799,037	$11,519,037	$9,869,037	$9,154,037	$9,154,037
SUPPLIER'S PROFIT	$3,738,000	$5,071,460	$4,750,217	$4,083,115	$4,371,115	$3,947,615	$3,661,615	$3,661,615
OUTSIDE PATRONAGE SPENDING			$9,959,200	$26,404,800	$37,570,400	$37,736,000	$37,736,000	$45,656,000
PROJECT POPULATION EXPENDITURES			$7,474,470	$15,837,715	$25,089,735	$34,739,970	$44,390,205	$54,040,440
TOTAL BASE ECONOMIC IMPACT	**$37,780,826**	**$52,657,683**	**$75,481,832**	**$97,017,289**	**$116,855,070**	**$126,993,747**	**$136,148,910**	**$155,051,455**
Multiplier Effect Ratio	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL OVERALL IMPACT	**$75,561,652**	**$105,315,367**	**$150,963,665**	**$194,034,578**	**$233,710,140**	**$253,987,494**	**$272,297,820**	**$310,102,910**

Development Year	9	10	11	12	13	Totals Years 1 Through 13	Stabilized Operations
ANNUAL WAGES GENERATED	$41,500,970	$40,462,576	$40,844,286	$37,168,556	$21,055,981	$479,975,118	$19,039,212
CONTRACTOR'S PROFIT	$8,650,037	$8,146,037	$8,146,037	$6,706,037	$852,156	$121,624,680	
SUPPLIER'S PROFIT	$3,460,015	$3,258,415	$3,258,415	$2,682,415	$340,862	$46,284,872	
OUTSIDE PATRONAGE SPENDING	$49,176,000	$49,176,000	$49,176,000	$49,176,000	$49,176,000	$440,942,400	$49,176,000
PROJECT POPULATION EXPENDITURES	$54,936,150	$61,679,160	$66,779,670	$71,880,180	$77,034,710	$513,882,405	$77,034,710
TOTAL BASE ECONOMIC IMPACT	**$157,723,171**	**$162,722,187**	**$168,204,407**	**$167,613,187**	**$148,459,709**	**$1,602,709,475**	**$145,249,922**
Multiplier Effect Ratio	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL OVERALL IMPACT	**$315,446,342**	**$325,444,374**	**$336,408,814**	**$335,226,374**	**$296,919,418**	**$3,205,418,950**	**$290,499,843**

Source: Various, and The Hallstrom Group, Inc.

construction-based expenditures. We have therefore tested multiplier rates at the mid-point of the market spectrum, ranging from 1.5 to 3.5 times.

On a conservative basis, using a relatively low-end multiplier effect ratio of 2.0, the total overall direct impact on the Maui County economy resulting from the Honuaula project would be $3.2 billion over the 13-year projection period. On a stabilized annual basis thereafter, the overall impact would be at $290.5 million.

Ancillary Economic (Phase II) Impacts

From a real property/land use perspective, the subject development has the potential to present socio-economic impacts in the surrounding community. However, we do not believe the effect of the project will meaningfully escalate or negatively impact these issues, or that foregoing the project would mitigate the concerns in any notable way.

There are two potential negative market-based impacts:

- Real Property Values -- Demand for developable land and residential units in the South Maui area have been increasing over the long-term (within discrete market cycle) for more than three decades. During this period median prices have increased in some sectors by more than five-fold, surpassing compounded annual appreciation rates in excess of five percent. Wailea and Makena prices are now among the highest on average in the state.

  These trends exist externally to the subject property, and would be anticipated to continue reasonably unabated over the long-term regardless whether or not Honuaula were developed. There is little rational or demonstrable market support suggesting regional demand and associated pricing trends will recede if the subject lands were left vacant.

Conversely, the Honuaula units will likely provide a specific mitigating effect to price increases in Greater Wailea, by placing 450 affordable-priced units into an area where there are currently virtually none. And providing substantial amounts of new product will help ease buyer and pricing concerns due to an artificial scarcity of supply.

Without the 1,150 proposed units/homes, which represent nearly a quarter of all planned inventory additions in the Kihei-Makena Corridor over the next two decades, a significant undersupply situation would again develop in the area, laying the groundwork for a hyper-appreciation cycle of the type that has periodically plagued Maui residents since the mid-1970s.

- Affordable Housing -- The inclusion 450 affordable-priced units on-site within Honuaula, in addition to 250 units to be constructed off-site, will constitute one of the largest proportionate allowances of affordable units within a new master-planned project in state history.

  The subject development will be in full-compliance with Maui County affordable/workforce housing ordinances and guidelines, and will more than off-set any needs resulting from new job creation or in-migration associated with the community.

  Again, the impact of Honuaula will be positive on the study area in this regard.

PUBLIC COSTS/BENEFITS FROM THE PROPOSED DEVELOPMENT

The purpose of this assessment is to delineate the direct areas in which the construction and long-term operation of Honuaula will potentially impact the public "purse". Specifically, the goal is to quantify and compare the costs of providing expanded County and State services to the project and its population versus the economic benefits that accrue to governmental

coffers via an increase in local and state tax and fee payments arising from the new economic activity associated with the development.

Among the major direct potential costs to governmental services and programs are:

-- Police Protection
-- Fire Protection
-- Public Oversight Agencies
-- Infrastructure Systems
-- Recreational Demands
-- Educational Needs
-- County and State Oversight and Administration
-- Public Capital Improvements
-- Various Other Services and Financial Commitments

Primary direct public fiscal (taxes and fees) benefits to the state and county funds will primarily flow from the project and its operation over time from four major sources:

-- Real Property Taxes
-- Gross Excise Tax Receipts
-- State Income Taxes
-- Development Fees

Some cost/benefit issues are considered as off-setting, or "a wash," as the cost of the services to the government is theoretically directly reimbursed in the form of user fees. Building permits and utility hook-up fees are two prime examples. Other such items include workers compensation premiums and benefits, utility operations and associated use billing rates, and business oversight/registration versus licensing fees. These items are excluded from this study.

As a privately built project using private capital for its major infrastructure components, some of identified public costs will not be directly increased on the state or county levels as a result of the proposed subject project. Further, the relatively low occupancy of the non-resident homes and units means about 44

percent of the residential inventory would not need daily services a majority of the time.

However, the diversity of unit types and businesses within Honuaula will result in a development which is highly reflective of the larger Kihei-Makena community in regards to population, use and household make-up, and as such it would be expected to carry its fair share of public costs burdens on a per capita contribution basis.

This perspective, where each person of the islandwide de facto population is responsible for a comparable cost contribution towards public services, either directly or indirectly as part of the commonwealth, is very appropriate for a development as the subject which will have some members in need of above-average amounts of services and others with below-average demands.

Government services are holistic in nature, providing a foundation throughout a community, regardless of any actual or specific impact on any given land holding. Parks and schools are essential to the residents (full or part-time), resident and non-residents, whether or not they specifically use them, as these facilities create the climate in which local businesses, the real estate market and the general economy operates. Similarly, government administration, capital projects and public welfare items may have no direct relation to a particular development, but provide the economic underpinnings that enhances overall regional sustainability.

We have therefore looked at the public costs issue only from a per capita contribution allocation basis, and have not considered the estimating of actual costs as being an appropriate method for use in this specific analysis.

Public Costs

Per Capita Costs Contribution

The selected method for determining public costs was through assessment of per capita contributions to expenditures incurred by the State of Hawaii and Maui County relative to the de facto population area of the jurisdiction. As noted foregoing, this is

founded on the principal that each individual on the island equitably benefits from all governmental costs, regardless of type or focus throughout the day, with each new member of the community (whether resident or non-resident) creating a proportionate new cost burden on public services in their daily home and working life.

This is a typical application as most costs are viewed as accruing to residential aspects of a person's lifestyle and land use. We consider it as the best means of demonstrating the maximum overall public fiscal impact potential of the proposed subject project. We judge this method as setting the absolute upper limit on all public costs (actual, indirect and inferred).

According to their Financial Services/Budgeting database, the state expects to spend a total of $10.8 billion on services, salaries, infrastructure, and financing in the coming 2009-10 fiscal year. Of this figure, approximately $7.5 billion will be raised from taxation of persons in-state; the remainder from federal funds and other sources. The total de facto population in the state on an average daily basis at present is about 1,400,000 persons, including residents, tourists, and military personnel.

The per capita contributions by the Hawaii population towards expenditures by the state will thus be about $5,346 for this year ($7,484,000,000 divided by 1,400,000).

The average de facto population (residents, non-residents and their guests) at Honuaula at build-out will be 1,833 persons, a figure reached in year 13 of the development process. The annual total "per capita fair contribution" to the State's public purse from the subject at stabilization would be $9.8 million in constant year 2009 dollars.

Analyzed on a similar basis, the county of Maui's budget for the island government in year 2009 calls for the County's population to contribute $561 million towards local services (the remainder coming from federal, state and other sources). The current de facto population in Maui County is some 182,000 persons. The resulting de facto per capita contribution towards

county expenditures for this year is therefore anticipated to be $3,082.

Application of this County-based per person fair contribution figure to the total on-site de facto population at subject build out would be $5.65 million annually in costs to the county government on a stabilized basis (1,833 population x $3,082).

Total Public Costs -- On a per capita fair contribution basis, at build-out the total governmental costs to the state and county would be $15.4 million annually.

Public Fiscal Benefits

Real Property Taxes -- Property taxes paid by landowners in the subject project were calculated using the 2009 tax rates for both land and buildings, improved and unimproved. The basis for the calculations were generally presented within the body of the report, and can be summarized as follows:

- *Affordable Multifamily Resident Units* were assumed to have an average assessed value of $375,000, coupled with the current homeowner's exemption of $300,000, the net average taxable assessment would be $100,000, with an associated owner/occupant tax rate of $2.00 per $1,000 in value.

- *Market Multifamily Resident Units* are projected to have an average assessed value of $1,548,000, resulting in a $1,248,000 taxable assessment after homeowner's exemption, and would also be taxed at the discounted owner/occupant rate of $2.00 per $1,000 in net assessment.

- *Market Multifamily Non-Resident Units* are projected to have an average assessed value of $1,800,000, with no exemptions, and an effective tax rate of $4.55 per $1,000.

- *Resident Single Family Homes* are forecast to be assessed at an average of $2,850,000, are eligible for the $300,000 exemption and the $2.00 per $1,000 tax rate.

- *Non-Resident Single Family Homes* are also assumed to be assessed at an average of $2,850,000, with no exemptions and an effective rate of $4.85 per $1,000.

- *Commercial Components* are forecast to have a total assessed value of $38,172,200 (land and improvements) and an effective tax rate of $6.25.

- *The Golf Course Facility* is projected to have a total assessed value of $65 million and a tax rate of $4.50.

- *The Underlying, Fully-Entitled Site* was estimated to have a pre-development assessed value of $250 million, increasing to $523 million after infrastructure emplacement and subdivision, with an assessment rate of $4.50.

The total assessments and resulting taxes for the finished units, commercial and golf course components are added to the tax rolls as they are completed and absorbed. Conversely, the assessed value and taxes attributable to the underlying land diminishes as it is built-out and sold.

The total real property taxes to be paid to Maui County in 2009 dollars ranges from $1,250,000 in year 1 of development, to a stabilized level of $7,251,000 at build-out in year 13 and beyond. The aggregate taxes paid over the development modeling time-frame will be $55.5 million.

State Income Tax -- The state will receive income taxes from three sources:

- the wages of the workers associated with the construction, maintenance, and operation of the Honuaula components;

- the corporate profits from contractors and suppliers serving the construction and maintenance phases of the development, and as generated by on-going commercial and golf operations; and

- the income of full-time residents of the development.

According to DBEDT data, individual State of Hawaii income tax liability as a ratio to gross income has averaged ranged from about 5.6 to just over 5.80 percent during the past two decades, with the more current figures tending toward the mid to upper-end of the range. We have employed an effective tax rate of 5.80 percent of gross personal income for individual workers and full-time residents.

The effective tax rate for the corporate income is estimated at 2.00 percent of gross operating profits, based on available DBEDT statistics.

The total income tax revenues to be received by the state are projected at $1.3 million in the first year of construction increasing to a maximum level at year 11 of $6.4 million. On a stabilized basis, after build-out, the permanent worker incomes, building maintenance and off-site workers, and operating businesses, would pay an annual state income tax of about $5.3 million.

Over the 13-year projection period, the cumulative income taxes paid are estimated at $58.7 million.

We have not included any corporate income or other taxes which will be paid by the developing venture as a result of its profits from undertaking the subject development, or from the secondary jobs created by the discretionary spending of owners, workers and businesses. Such items have the potential to be substantial contributions to the state coffers.

State Gross Excise Tax -- This 4.166 percent of expenditures tax was applied against:

- the total estimated construction contract costs;

- discretionary spending of wage income by workers associated with the project's construction and operation;

- expenditures of Honuaula unit owners and their guests on and off-site; and

- non-resident patronage expenditures in the subject community businesses.

The anticipated state excise tax receipts arising from the subject development range from an estimated $5.5 million in the first year of development to a peak of $9.3 million. Over the 13-year study period, the receipts total $103.3 million and stabilize at circa $6.1 million per year.

We have not included any excise tax revenues associated with the direct, local "multiplier effect" expenditures on Maui, or those created in the secondary market by the suppliers to the operating businesses or secondary worker expenditures.

State and County Development Fees -- Each Honuaula residential unit is subject to total fees upon permitting of $25,240, comprised of:

- Traffic improvement fees of $5,000 per unit payable to the County of Maui.

- Park assessment fee currently at $17,240 per unit payable to County of Maui.

- School impact fee currently at $3,000 per unit payable to the State.

The fees are shown on the model as they are incurred as units are constructed. In addition to these fees, which total $29 million during build-out, the developer is also committed to a $5 million contribution towards the Kihei Regional Park, another $550,000 towards the South Maui Police Station, and providing a two-acre site for a future fire station (not shown in model).

Total Public Benefits (Revenues) -- In constant 2009 dollars, the rounded aggregate annual tax revenues flowing from the

subject development during the construction and at full project build-out range from:

- $1.1 million to $8.7 million per year for the county of Maui, stabilizing over time at $7.25 million annually and totaling $81.1 million over the 13-year development projection time-frame;

- $6.8 million to $15.9 million annually for the State of Hawaii, stabilizing at $11.3 million per year, and cumulatively at $165.4 million over the modeling period; and

- $7.9 million to $23.7 million annually in total to the combined County and State public purse, stabilizing at about $18.6 million per year, and cumulatively at $246.5 million over the modeling period.

Correlation

Our public cost/benefit assessment model for Honuaula is compiled on Table 22, with the correlation of per capita public service fair contribution "costs" and the specifically anticipated public fiscal (taxes and fees) revenue "benefits" shown on the bottom line. As construction activity (which generates tax revenues) is completed and the full de facto population is established (which results in increasing public costs), the net returns to governmental entities decrease.

The summarized indicators are as follows:

- The net fiscal benefit (revenue contributions less per capita costs) to Maui County from the development of the subject increases from $1.1 million in Year 1 to a peak of $4.1 million per year, with stabilization at $1.6 million and an aggregate benefit of $41.8 million during the study period.

- The net fiscal benefit to the State of Hawaii ranges from a low of $2.5 million to maximum net gain of $9.4 million, totaling $97.2 million during the modeling period. On a stabilized basis following build-out, the net gain to the State will be $1.5 million annually.

TABLE 22

PUBLIC COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	1	2	3	4	5	6	7	8
PUBLIC BENEFITS (Revenues)								
1. REAL PROPERTY TAXES								
Total Assessed Value	$250,000,000	$250,000,000	$535,284,250	$681,247,650	$823,631,900	$980,266,150	$1,136,900,400	$1,303,077,700
TOTAL REAL PROPERTY TAXES (1)	**$1,125,000**	**$1,125,000**	**$2,258,249**	**$2,811,459**	**$3,295,268**	**$3,839,466**	**$4,383,665**	**$4,987,507**
2. STATE INCOME TAXES								
Taxable Personal Income	$22,332,826	$33,725,074	$48,342,902	$56,208,123	$62,942,284	$73,770,125	$82,707,554	$92,471,364
Taxable Corporate Profits	$1,544,800	$1,893,261	$3,807,226	$6,569,815	$8,765,815	$8,653,665	$8,593,565	$10,073,565
Personal Taxes Paid	$1,295,304	$1,956,054	$2,803,888	$3,260,071	$3,650,652	$4,278,667	$4,797,038	$5,363,339
Corporate Taxes Paid	$30,896	$37,865	$76,145	$131,396	$175,316	$173,073	$171,871	$201,471
TOTAL STATE INCOME TAXES	**$1,326,200**	**$1,993,920**	**$2,880,033**	**$3,391,467**	**$3,825,969**	**$4,451,741**	**$4,968,909**	**$5,564,810**
3. STATE GROSS EXCISE TAX								
Taxable Transactions								
Construction Contracts	$117,100,000	$138,611,496	$130,580,432	$107,990,368	$115,190,368	$98,690,368	$91,540,368	$91,540,368
Worker Disposable Income Purchases	$14,516,337	$21,921,298	$26,155,936	$25,930,205	$24,898,109	$26,455,731	$26,784,585	$27,650,586
Unit Owner/Guest Expenditures (on/off site)			$7,474,470	$15,837,715	$25,089,735	$34,739,970	$44,390,205	$54,040,440
Non-Resident Patronage Expenditures			$9,959,200	$26,404,800	$37,570,400	$37,736,000	$37,736,000	$45,656,000
Total Taxable Transactions	$131,616,337	$160,532,794	$174,170,038	$176,163,088	$202,748,612	$197,622,069	$200,451,158	$218,887,394
TOTAL STATE EXCISE TAX	**$5,483,137**	**$6,687,796**	**$7,255,924**	**$7,338,954**	**$8,446,507**	**$8,232,935**	**$8,350,795**	**$9,118,849**
4. DEVELOPMENT FEES TO STATE AND COUNTY								
Payable to Maui			$2,246,240	$2,490,880	$2,735,520	$2,846,720	$2,846,720	$2,846,720
Payable to State			$303,000	$336,000	$369,000	$384,000	$384,000	$384,000
Total	**$0**	**$0**	**$2,549,240**	**$2,826,880**	**$3,104,520**	**$3,230,720**	**$3,230,720**	**$3,230,720**
TOTAL GROSS PUBLIC REVENUES								
To Maui County (Items #1 & #4)	$1,125,000	$1,125,000	$4,504,489	$5,302,339	$6,030,788	$6,686,186	$7,230,385	$7,834,227
To State (Items #2, #3 & #4)	$6,809,337	$8,681,716	$10,438,957	$11,066,422	$12,641,476	$13,068,676	$13,703,705	$15,067,659
AGGREGATE TAXES & FEES REVENUES	**$7,934,337**	**$9,806,716**	**$14,943,445**	**$16,368,761**	**$18,672,264**	**$19,754,862**	**$20,934,089**	**$22,901,886**
PUBLIC COSTS (Expenses)								
By Maui County			$605,448	$1,235,710	$1,890,786	$2,560,318	$3,229,850	$3,899,382
By State of Hawaii			$1,050,020	$2,143,074	$3,279,161	$4,440,320	$5,601,479	$6,762,638
TOTAL PUBLIC COSTS			**$1,655,468**	**$3,378,784**	**$5,169,947**	**$7,000,637**	**$8,831,328**	**$10,662,019**
TOTAL NET PUBLIC BENEFITS								
To Maui County	$1,125,000	$1,125,000	$3,899,040	$4,066,629	$4,140,002	$4,125,868	$4,000,535	$3,934,846
To State of Hawaii	$6,809,337	$8,681,716	$9,388,937	$8,923,348	$9,362,315	$8,628,356	$8,102,226	$8,305,022
AGGREGATE NET BENEFITS	**$7,934,337**	**$9,806,716**	**$13,287,977**	**$12,989,977**	**$13,502,317**	**$12,754,225**	**$12,102,761**	**$12,239,867**

(1) Real property taxes include $300,000 homeowners exemption for "resident" units. Tax rates of $2 per $1,000 for homeowners/residents, $4.55 for non-resident multifamily and $4.85 for non-resident single family.

Source: The Hallstrom Group, Inc.

TABLE 22 -- Continued

PUBLIC COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Honuaula Community
Wailea, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2009 Dollars

Development Year	9	10	11	12	13	Total Years 1 Through 13	Stabilized Operations
PUBLIC BENEFITS (Revenues)							
1. REAL PROPERTY TAXES							
Total Assessed Value	$1,434,590,000	$1,582,230,000	$1,683,200,000	$1,797,050,000	$1,916,250,000		$1,916,250,000
TOTAL REAL PROPERTY TAXES (1)	**$5,399,705**	**$5,949,515**	**$6,335,435**	**$6,779,315**	**$7,251,075**	**$55,540,659**	**$7,251,075**
2. STATE INCOME TAXES							
Taxable Personal Income	$99,864,470	$103,972,576	$106,215,786	$104,401,556	$89,931,481	$976,886,118	$87,914,712
Taxable Corporate Profits	$10,683,005	$10,652,445	$10,692,445	$10,555,845	$9,811,302	$102,296,755	$9,692,000
Personal Taxes Paid	$5,792,139	$6,030,409	$6,160,516	$6,055,290	$5,216,026	$56,659,395	$5,099,053
Corporate Taxes Paid	$213,660	$213,049	$213,849	$211,117	$196,226	$2,045,935	$193,840
TOTAL STATE INCOME TAXES	**$6,005,799**	**$6,243,458**	**$6,374,364**	**$6,266,407**	**$5,412,252**	**$58,705,330**	**$5,292,893**
3. STATE GROSS EXCISE TAX							
Taxable Transactions							
Construction Contracts	$86,500,368	$81,460,368	$81,460,368	$67,060,368	$8,521,560	$1,216,246,800	
Worker Disposable Income Purchases	$14,516,337	$21,921,298	$26,155,936	$25,930,205	$24,898,109	$307,734,673	$19,039,212
Unit Owner/Guest Expenditures (on/off site)	$54,936,150	$61,679,160	$66,779,670	$71,880,180	$77,034,710	$513,882,405	$77,034,710
Non-Resident Patronage Expenditures	$49,176,000	$49,176,000	$49,176,000	$49,176,000	$49,176,000	$440,942,400	$49,176,000
Total Taxable Transactions	**$205,128,855**	**$214,236,826**	**$223,571,974**	**$214,046,753**	**$159,630,379**	**$2,478,806,278**	**$145,249,922**
TOTAL STATE EXCISE TAX	**$8,545,668**	**$8,925,106**	**$9,314,008**	**$8,917,188**	**$6,650,202**	**$103,267,070**	**$6,051,112**
4. DEVELOPMENT FEES TO STATE AND COUNTY							
Payable to Maui	$2,846,720	$2,179,520	$1,512,320	$1,512,320	$1,512,320	$25,576,000	
Payable to State	$384,000	$294,000	$204,000	$204,000	$204,000	$3,450,000	
Total	**$3,230,720**	**$2,473,520**	**$1,716,320**	**$1,716,320**	**$1,716,320**	**$29,026,000**	
TOTAL GROSS PUBLIC REVENUES							
To Maui County (Items #1 & #4)	$8,246,425	$8,129,035	$7,847,755	$8,291,635	$8,763,395	$81,116,659	$7,251,075
To State (Items #2, #3 & #4)	$14,935,467	$15,462,564	$15,892,373	$15,387,595	$12,266,454	$165,422,400	$11,344,005
AGGREGATE TAXES & FEES REVENUES	**$23,181,892**	**$23,591,599**	**$23,740,128**	**$23,679,230**	**$21,029,849**	**$246,539,058**	**$18,595,080**
PUBLIC COSTS (Expenses)							
By Maui County	$4,568,913	$5,011,888	$5,228,304	$5,444,721	$5,649,486	$39,324,805	$5,649,486
By State of Hawaii	$7,923,797	$8,692,040	$9,067,368	$9,442,696	$9,797,817	$68,200,408	$9,797,817
TOTAL PUBLIC COSTS	**$12,492,710**	**$13,703,928**	**$14,295,672**	**$14,887,417**	**$15,447,302**	**$107,525,213**	**$15,447,302**
TOTAL NET PUBLIC BENEFITS							
To Maui County	$3,677,512	$3,117,147	$2,619,451	$2,846,914	$3,113,909	$41,791,853	$1,601,589
To State of Hawaii	$7,011,671	$6,770,524	$6,825,005	$5,944,899	$2,468,637	$97,221,991	$1,546,188
AGGREGATE NET BENEFITS	**$10,689,182**	**$9,887,672**	**$9,444,456**	**$8,791,813**	**$5,582,546**	**$139,013,845**	**$3,147,778**

(1) Real property taxes include $300,000 homeowners exemption for "resident" units. Tax rates of $2 per $1,000 for homeowners/residents, $4.55 for non-resident multifamily and $4.85 for non-resident single family.

Source: The Hallstrom Group, Inc.

- The overall yearly net benefit to local governmental agencies (state and county) varies from $5.6 million to a peak of $13.5 million during development, with a cumulative "profit" figure of $139 million during construction. Annually, after stabilization is reached, the net combined governmental gains are $3.1 million

In no single year, or following stabilization, does either the State or County suffer a fiscal "loss" from the development and servicing of Honuaula from a "fair contributions per capita" perspective.

Limiting Conditions and Assumptions

The research, analysis, and conclusions for valuation or market studies, performed by The Hallstrom Group, Inc., are subject to and influenced by the following:

- The report expresses the opinion of the signers as of the date stated in the letter of transmittal, and in no way has been contingent upon the reporting of specified values or findings. It is based upon the then present condition of the national and local economy and the then purchasing power of the dollar.

- Legal descriptions used within the report are taken from official documents recorded with the State of Hawaii, Bureau of Conveyances, or have been furnished by the client, and are assumed to be correct. No survey is made for purposes of the report.

- Any sketches, maps, plot plans, and photographs included in the report are intended only to show spatial relationships and/or assist the reader in visualizing the property. They are not measured surveys or maps and we are not responsible for their accuracy or interpretive quality.

- It is assumed that the subject property is free and clear of any and all encumbrances other than those referred to herein, and no responsibility is assumed for matters of a

legal nature. The report is not to be construed as rendering any opinion of title, which is assumed to be good and marketable. No title information or data regarding easements which might adversely affect the use, access, or development of the property, other than that referenced in the report, was found or provided. The property is analyzed as though under responsible ownership and competent management.

- Any architectural plans and/or specifications examined assume completion of the improvements in general conformance with those documents in a timely and workmanlike manner.

- Preparation for, attendance, or testimony at any court or administrative hearing in connection with this report shall not be required unless prior arrangements have been made therefor.

- If the report contains an allocation of value between land and improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other purpose and are invalid if so used.

- If the report contains a valuation relating to a geographical portion or tract of real estate, the value reported for such geographical portion relates to such portion only and should not be construed as applying with equal validity to other portions of the larger parcel or tract; and the value reported for such geographical portion plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

- If the report contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other

fractional interest may or may not equal to the value of the entire fee simple estate considered as a whole.

- It is assumed that there are no hidden or inapparent conditions of the property, subsoil, or structures which would render it more or less valuable; we assume no responsibility for such conditions or for engineering which might be required to discover such factors.

- Nothing in the report should be deemed a certification or guaranty as to the structural and/or mechanical (electrical, heating, air-conditioning, and plumbing) soundness of the building(s) and associated mechanical systems, unless otherwise noted.

- Information, estimates, and opinions provided by third parties and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility is assumed for possible misinformation.

- Possession of the report, or a copy thereof, does not carry with it the right of publication, and the report may not be used by any person or organization except the client without the previous written consent of the appraiser, and then only in its entirety. If the client releases or disseminates the reports to others without the consent of the appraiser, the client hereby agrees to hold the appraiser harmless, and to indemnify the analysts from any liability, damages, or losses which the analysts might suffer, for any reason whatsoever, by reason of dissemination of the report by the client. Further, if legal action is brought against the analyst by a party other than the client concerning the report or the opinions stated therein, the client agrees, in addition to indemnifying the analysts for any damages or losses, to defend said analysts in said action at client's expense. However, nothing herein shall prohibit the client or analysts from disclosing said report or opinions contained therein as may be required by applicable law.

- Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any public means of communication without the prior consent and approval of the appraisers.

- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. We did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

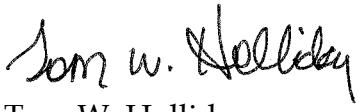
- The function of this report is for the sole purpose(s) stated herein. It may not be used in connection with any proposed or future construction for a real estate syndicate(s), real estate investment trust(s) or limited partnership to solicit investors or limited partners, and may not be relied upon for such purposes.

- The appraiser's conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might prevent buildability. The appraiser recommends that due diligence be conducted through the local building department or the municipality to investigate buildability and whether the property is suitable for its intended use. The appraiser makes no such representations, guarantees or warranties.

CERTIFICATION

The undersigned does hereby certify that, to the best of his knowledge and belief, the statements of fact contained in this report are true and correct. It is further certified that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are his personal, impartial, and unbiased professional analyses, opinions, conclusions and recommendations. He further certifies that he has no present or prospective interest in the property that is the subject of this report, and has no personal interest with respect to the parties involved. He has no bias with respect to the property that is the subject of this report or the parties involved with this assignment. His engagement in this assignment was not contingent upon developing or reporting predetermined results. His compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the

intended use of this report. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice. The undersigned certifies that he has made a personal visit to the property that is the subject of this report. No other persons provided significant real property consulting assistance other than the undersigned.



Tom W. Holliday
Supervisor/Senior Analyst

/as

3065NR01

ADDENDA

THE HALLSTROM GROUP INC.
REAL ESTATE
CONSULTANTS
& APPRAISERS

PROFESSIONAL BACKGROUND AND SERVICES

The Hallstrom Group, Inc. is a Honolulu based independent professional organization that provides a wide scope of real estate consulting services throughout the State of Hawaii with particular emphasis on valuation studies. The purpose of the firm is to assist clients in formulating realistic real estate decisions. It provides solutions to complex issues by delivering thoroughly researched, objective analyses in a timely manner. Focusing on specific client problems and needs, and employing a broad range of tools including after-tax cash flow simulations and feasibility analyses, the firm minimizes the financial risks inherent in the real estate decision making process.

The principals and associates of the firm have been professionally trained, are experienced in Hawaiian real estate, and are actively associated with the Appraisal Institute and the Counselors of Real Estate, nationally recognized real estate appraisal and counseling organizations.

The real estate appraisals prepared by The Hallstrom Group accomplish a variety of needs and function to provide professional value opinions for such purposes as mortgage loans, investment decisions, lease negotiations and arbitrations, condemnations, assessment appeals, and the formation of policy decisions. Valuation assignments cover a spectrum of property types including existing and proposed resort and residential developments, industrial properties, high-rise office buildings and condominiums, shopping centers, subdivisions, apartments, residential leased fee conversions, special purpose properties, and vacant acreage, as well as property assemblages and portfolio reviews.

Market studies are research-intensive, analytical tools oriented to provide insight into investment opportunities and development challenges, and range in focus from highest and best use determinations for a specific site or improved property, to an evaluation of multiple (present and future) demand and supply characteristics for long-term, mixed-use projects. Market studies are commissioned for a variety of purposes where timely market information, insightful trends analyses, and perceptive conceptual conclusions or recommendations are critical. Uses include the formation of development strategies, bases for capital commitment decisions, evidence of appropriateness for state and county land use classification petitions, fiscal and social impact evaluations, and the identification of alternative economic use/conversion opportunities.

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PROFESSIONAL QUALIFICATIONS OF THOMAS W. HOLLIDAY

Business Background

Senior Analyst	The Hallstrom Group, Inc. Honolulu, Hawaii Since 1980
Former Staff Appraiser	Davis-Baker Appraisal Co. Avalon, Santa Catalina Island, California

Education

- B.A. (Communications/Journalism) 1978 California State University at Fullerton
- SREA Course 201- Principles of Income Property Appraising
- Expert witness testimony before State of Hawaii Land Use Commission and various state and county boards and agencies since 1983.
- Numerous professional seminars and clinics
- Contributing author to Hawaii Real Estate Investor, Honolulu Star Bulletin

On January 1, 1991, the American Institute of Real Estate Appraisers (AIREA) and the Society of Real Estate Appraisers (SREA) consolidated, forming the Appraisal Institute (AI).

Recent Kauai and Neighbor Island Assignments

- Market Study, Economic Impact Analyses and Public Costs/ Benefits Assessments
  - -- Village at Poipu (Resort/Residential)
  - -- Ocean Bay Plantation (Resort/Residential)
  - -- Waipono/Puhi (Mixed-Use Planned Development)
  - -- Eleele Commercial Expansion (Commercial)
  - -- Kona Kai Ola (Mixed-Use Resort Community)
  - -- Waikoloa Highlands (Residential)
  - -- Waikoloa Heights (Mixed-Use Residential Development)
  - -- Upcountry Town Center (Mixed-Use Planned Development)
  - -- Maui Lani (Residential and Industrial Components of Master Planned Community)
  - -- Maui Business Park, Phase II (Industrial/Commercial)
  - -- Four Seasons Private Estates and Residences Club (Resort/Residential)
  - -- Kualono Subdivision (Residential)
  - -- Kapalua Mauka (Master Planned Community)
  - -- Hailiimaile (Mixed-Use Master Planned Community)
  - -- Pulelehua (Master Planned Community)
  - -- Westin Kaanapali Ocean Villas Expansion (Resort/ Timeshare)

- Major Valuation Assignments

  -- Coco Palms Resort
  -- Grand Hyatt Kauai
  -- Islander on the Beach
  -- Waimea Plantation Cottages
  -- Coconut Beach Resort
  -- Keauhou Beach Hotel
  -- Sheraton Maui Hotel
  -- Outrigger Wailea Resort Hotel
  -- Maui Lu Hotel
  -- Coconut Grove Condominiums
  -- Palauea Bay Holdings
  -- Wailea Ranch
  -- Maui Coast Hotel
  -- Westin Maui Hotel
  -- Maui Marriott Hotel
  -- Waihee Beach
  -- Kapalua Bay Hotel and The Shops at Kapalua

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