



August 28, 2015

Mr. William Frampton
OLOWALU TOWN LLC
2035 Main Street, Suite 1
Wailuku, Hawaii 96793

Re: A Market Study for the Proposed Olowalu Town Master Plan Development, dated May 2011

Dear Mr. Frampton:

At your request, ACM Consultants, Inc. prepared the subject Market Study for inclusion in the Olowalu Town Master Plan Environmental Impact Statement. The report addressed Alternative 1, the Preferred Alternative. With the adoption of the Maui Island Plan (MIP) in December 2012, Alternative 2 was introduced as a second alternative within the realm of implementation potential. Alternative 2 reflects a master plan concept which follows the MIP's growth boundaries. That is, lands makai of Honoapiilani Highway are not included as part of the Master Plan. Both Alternatives 1 and 2 call for the development of up to 1,500 residential units and between 300,000 to 375,000 square feet of commercial space.

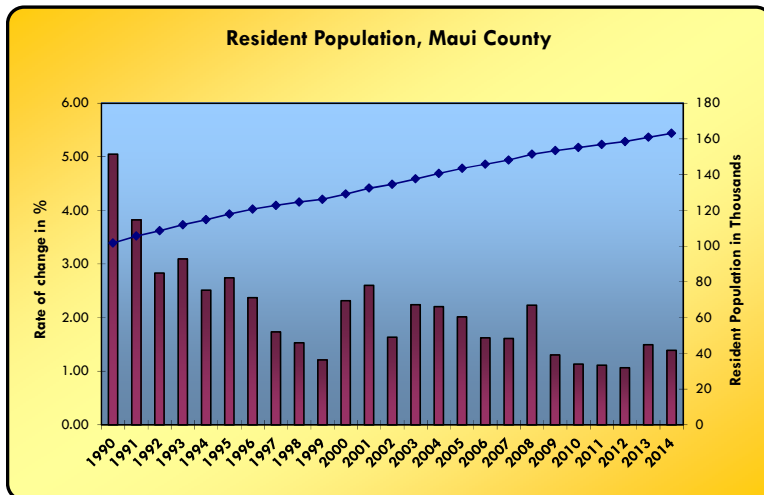
The three objectives of the Market Report were: (i) to define and delineate the market area; (ii) to identify and analyze the current supply and demand conditions specific to the subject's market; and (iii) identify, measure and forecast the effect of anticipated developments or other factors on future supply. You recently asked us to review the above-referenced report (the "Market Report") for two purposes.

First, to determine that the findings, assumptions, analysis and conclusions in the Market Report are still valid, and that no new circumstances have arisen since the preparation of the Market Report that would lead to different conclusions.

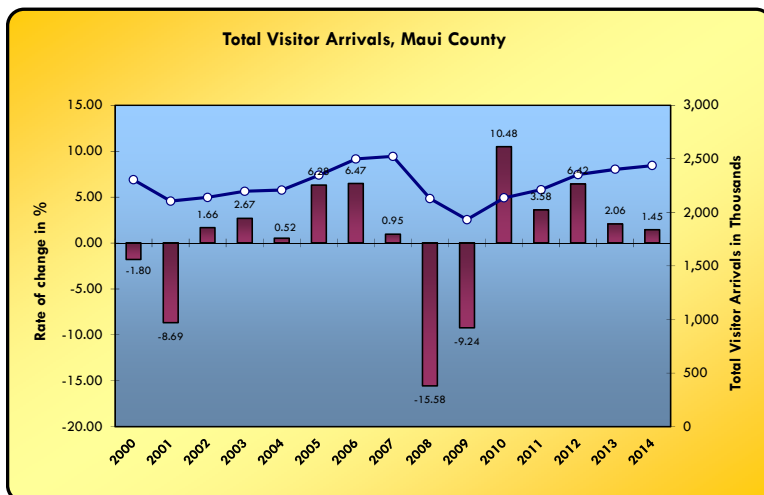
Second, to determine whether the findings, assumptions, analysis and conclusions in the Market Report remain valid if the Olowalu Town Master Plan is built as described as "Alternative 2." Alternative 2 excludes from the OTMP all land areas makai of Honoapilani Highway (approximately 45 acres). The maximum residential unit count under either of the Alternatives is 1,500. You have informed us that the commercial space planned under either Alternative ranges from 300,000 to 375,000 square feet of floor area, which is inclusive of live-work and civic uses, such as community centers, libraries, post offices, cultural centers, churches, fire stations, etc.

With respect to your first request, we confirm that the findings, assumptions, analysis and conclusions in the Market Report remain valid as of the date of this letter. Although statistical data has changed since 2011, our general conclusions that the 1,500 residential units planned for OTMP will be able to be absorbed within a period of 8 to 10 years, and the 300,000 to 375,000 square feet of commercial space can be absorbed well within the estimated 8- to 10-year absorption period still remains valid, barring any catastrophic economic or market event. The fact that economic and real estate market conditions have been steadily improving over the past 3 to 4 years, validates our absorption conclusions. In fact, the supply of housing is currently not keeping pace with the demand for housing which could result in even faster absorption of housing units in OTMP.

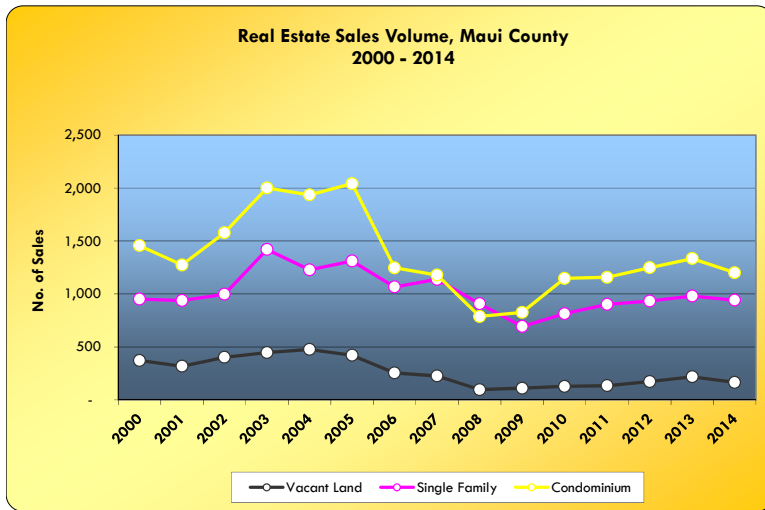
Below are a few graphs and tables that depict a gradually expanding economy and market since 2010-11, including a growing population, increasing visitor arrivals, increased real estate sales volume and increasing median sales prices.



Source: UHERO Economic Information Service



Source: UHERO Economic Information Service



Source: Realtors Association of Maui



Source: Realtors Association of Maui



Source: Realtors Association of Maui

The table below depicts very little change in the family median income from 2009 to 2015, as indicated by the Maui County “Affordable Sales Price Guidelines”.

Year	Median Income ^[1]	Change from Prev. Yr.	
		(\$)	(%)
2009	\$75,400	N/A	N/A
2010	\$76,000	\$600	0.8%
2011	\$76,000	\$0	0.0%
2012	\$77,100	\$1,100	1.4%
2013	\$78,600	\$1,500	1.9%
2014	\$75,800	(\$2,800)	-3.6%
2015	\$75,100	(\$700)	-0.9%

^[1] Maui Island (Except Hana) Median Family Income, as reported in the County of Maui Affordable Sales Price Guidelines.

The following table represents the number of new single-family construction permits over the past 15 years, which clearly shows construction slowed dramatically after 2007, and is still continuing at a relatively slow pace.

Year	# of New SF Units	5-Year Average
2000	842	
2001	767	
2002	807	
2003	889	
2004	1,160	
Sub-total	4,465	893
2005	971	
2006	1,083	
2007	1,062	
2008	535	
2009	280	
Subtotal	3,931	786
2010	212	
2011	203	
2012	251	
2013	329	
2014	331	
Subtotal	1,326	265

Source: Maui County Data Book 2013
and State Data Book 2014.

The following points summarize the supply of real estate in Maui at this time.

- As of July 2015, there were approximately 1,988 active listings in the Realtors Association of Maui Multiple Listing Service for all types of residential properties (single-family, multi-family, and residential house lots) on Maui. By comparison, active listings of residential properties peaked at 3,467 in April 2009.
- There are approximately 871 new housing units currently available in the market. This was determined to be the short term supply of new housing units or vacant lots available for purchase in the market. Of this total, approximately 483 units are located in Central Maui while South Maui has a total of 170 units. West Maui has 164 of the total short term supply, while Upcountry Maui has 68 units.
- Current absorption rates based on August 2015 MLS “Active” listings divided by July 2015 sales calculates to 4 months for residential, 8.5 months for condominiums, and 26 months for land.

ACM acknowledges that the County’s Residential Workforce Housing Policy was amended in November 2014 that requires the number of workforce housing units to be equivalent to at least 25 percent of the total number of market rate units, but based on discussions with Messrs Frampton and Ward, ACM understands that the OTMP is still intended to contain 750 housing units that will fall within the “affordable” pricing under the County’s “Affordable Sales Price Guidelines.”


With respect to your second request, we confirm that the findings, assumptions, analysis and conclusions in the Market Report remain valid whether OTMP is developed as Alternative 1 (the proposal described in the Market Study), or as Alternative 2. From a market perspective, Alternative 2 is a minor variation of Alternative 1. The nature of the OTMP, which will be a small, master-planned community located by the ocean, designed to be pedestrian friendly so that residents can live within walking distance of stores, schools, parks, community centers, places of employment and beaches. These attributes are present under both Alternative 1 and Alternative 2.

As far as the commercial real estate market, West Maui and South Maui has not seen any significant commercial development in the past five years, although Central Maui has seen new commercial development in Maui Lani (Maui Lani Shopping Center, Walgreens, Ace Hardware, Wailuku Federal Credit Union, Oceanic Time Warner, Paradise Beverage, etc.), Kehalani (Foodland, Longs Drugs and McDonalds), and Maui Business Park, Phase II (Target). A new TJ Maxx also recently opened in Maui Mall. As the population and visitor arrivals continue to grow on Maui, demand for commercial space will also continue to increase island-wide. The 300,000 to 375,000 square feet of commercial space planned for OMTP should still be sufficient to accommodate the population of OTMP, and should be able to be absorbed within the estimated 8- to 10-year absorption of the project’s 1,500 residential units.

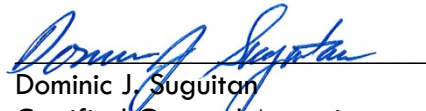
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As a final note, this will confirm that Messrs Kunihiisa and Suguitan have current and valid licenses as Certified General Appraisers (CGA-039 and CGA-576, respectively). The current expiration dates of these licenses are December 31, 2015.

Respectfully submitted,
ACM Consultants, Inc.



Glenn K. Kunihiisa, MAI
Certified General Appraiser,
State of Hawaii, CGA-039
Expiration: December 31, 2015



Dominic J. Suguitan
Certified General Appraiser
State of Hawaii, CGA-576
Expiration: December 31, 2015