

APPRAISAL REPORT

REGARDING

LAHAINA RESIDENTIAL CONDOMINIUM
LAHAINA, MAUI, HAWAII
TAX MAP KEY 4-5-3-11, SECOND DIVISION

PREPARED FOR

BOARD OF DIRECTORS
LAHAINA RESIDENTIAL CONDOMINIUM

JUNE 2018

Medusky & Co., Inc.

REAL ESTATE CONSULTANTS

QUEEN'S COURT, SUITE 405 • 800 BETHEL STREET
HONOLULU, HAWAII 96813
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Jan R. Medusky, MAI, CRE

June 8, 2018

Board of Directors
Lahaina Residential Condominium
c/o Rod Quam R (B)
Quam Properties Hawaii, Inc.
5095 Napilihaui St., Suite 202
Lahaina HI 96761

Dear Mr. Quam:

**Subject: Appraisal Report Regarding Lahaina Residential Condominium,
Lahaina, Maui, Hawaii, TMK 4-5-3-11, Second Division**

In response to your request, we have prepared this Appraisal Report regarding the above referenced property.

Association of Apartment Owners of Lahaina Residential Condominium ("AOAO") owns the leased fee interest in land associated with 11 leasehold apartments at Lahaina Residential Condominium, Lahaina, Maui, Hawaii. The property is identified by Hawaii State Tax Maps as TMK 4-5-3-11, Second Division and contains 73,517 sq. ft. of land improved with a 60 unit project which was originally developed on a leasehold basis. The majority (49) of the apartments have been converted to unencumbered fee simple status. The 11 remaining leasehold apartments are encumbered by ground leases that provide for ground rent to be redetermined in the near future.

In this regard, you have retained Medusky & Co., Inc. to prepare this Appraisal Report estimating ground rent for the property in accordance with ground lease terms.

ASSIGNMENT

Our assignment has been to prepare an Appraisal Report estimating market rent for the subject land in accordance with ground lease terms.

The intended use of this report is for decision making regarding the pending ground rent determination.

The intended users of this report are you (our client) and others involved in the pending ground rent determination.

The effective date of value for this report is June 8, 2018, the date of this Appraisal Report.

This report is subject to the Limiting Conditions and Assumptions contained in Exhibit 1 in the Addenda of this report.

DEFINITION OF TERMS

Market Value¹ - The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Rent² – The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

SCOPE OF WORK

Scope of Work included the following.

- Researched and analyzed economic background data regarding the State of Hawaii and the County of Maui.
- Researched and analyzed geographic and demographic trends affecting the market in which the subject property competes.
- Inspected the subject property.
- Researched and analyzed subject property data including history, ownership, zoning, etc.
- Researched, analyzed and verified transactions involving properties having characteristics similar to the subject property.

¹ 12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.

² The Dictionary of Real Estate Appraisal, 6th Ed. (Chicago, Illinois: Appraisal Institute, 2015).

- Completed valuation analysis as described herein.
- Prepared this Appraisal Report.

ECONOMIC BACKGROUND DATA

State of Hawaii

Hawaii’s economy is supported primarily by tourism, federal government spending and agriculture, in that order.

Tourism provides the greatest opportunity for growth. After decline in the tourist industry in the mid and late 1990s, tourism showed signs of improvement in 2000/early 2001 prior to the terrorist attacks in September 2001 in New York and Washington D.C. Subsequent to the terrorist attacks, tourism was down, but rebounded from initial setbacks.

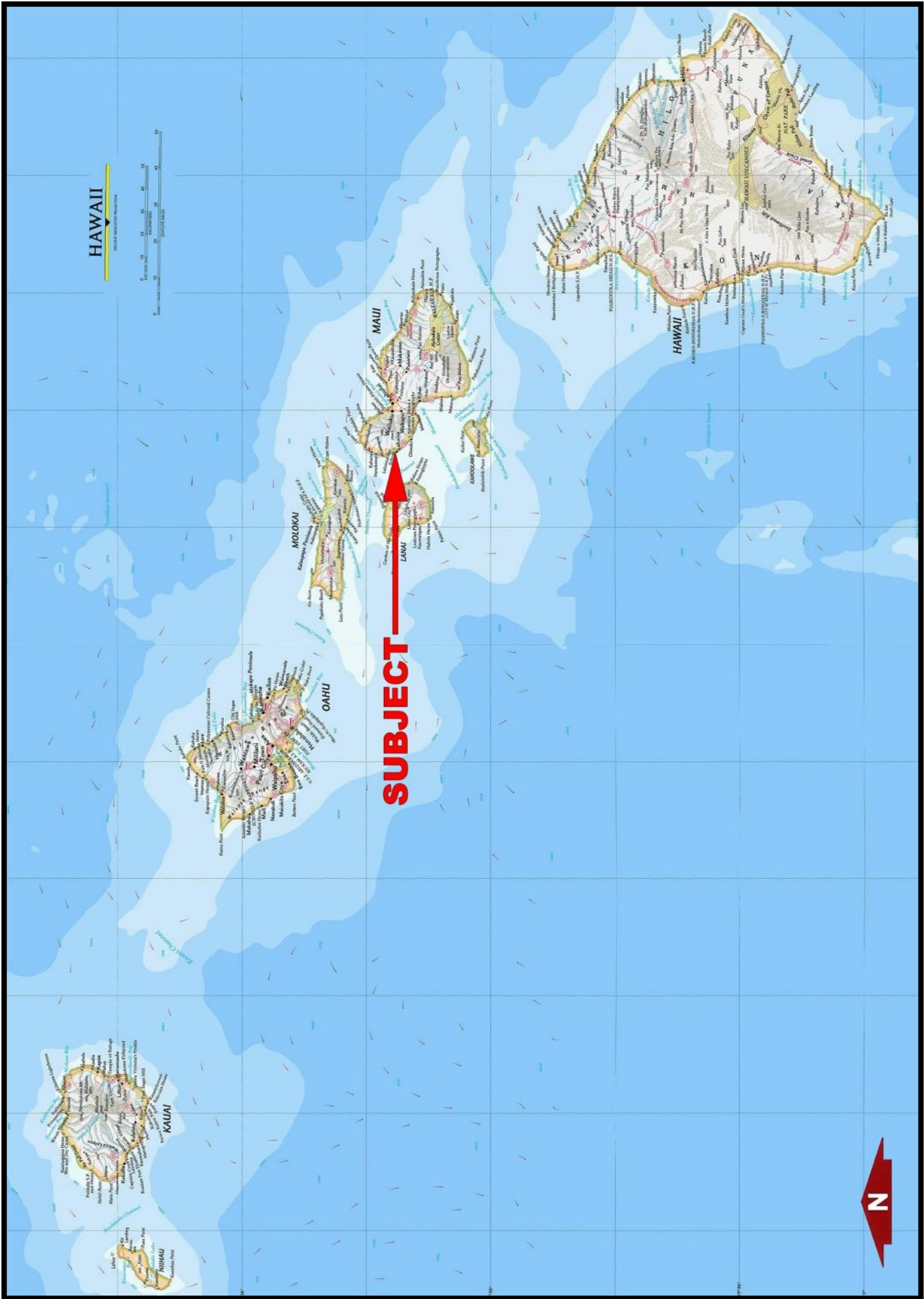
The tourist market was again adversely affected by the worldwide economic crisis commencing in 2008, but has since recovered. Tourist arrivals exceeded 9 million in 2017 and are expected to increase 2.7 percent in 2018 to 9.6 million and reach the 10 million mark by 2021.

Historical and projected economic indicators are summarized as follows.

Hawaii Economic Indicators (Annual Growth Rates by Percent)												
	‘09	‘10	‘11	‘12	‘13	‘14	‘15	‘16	‘17	‘18	‘19	‘20
Total Visitor Arrivals	-4.4%	7.7%	3.7%	9.7%	1.7%	2.4%	4.5%	3.0%	4.7%	2.8%	1.4%	0.8%
U.S. Visitor Arrivals	-3.9%	5.9%	2.3%	5.2%	0.7%	1.1%	6.9%	4.6%	4.9%	2.8%	1.5%	0.8%
Japan Visitor Arrivals	-0.6%	6.1%	0.2 %	18.0%	3.6%	-0.4%	-1.9%	0.4%	6.0%	2.9%	2.2%	0.8%
Payroll Jobs	-4.5%	-0.8%	1.2%	2.2%	2.0%	1.4%	1.8%	1.6%	1.0%	0.9%	0.8%	0.7%
Unemployment Rate	6.9%	6.9%	6.5%	5.7%	4.9%	4.4%	3.6%	3.0%	2.6%	2.4%	2.8%	3.2%
Inflation Rate, Honolulu MSA	0.5%	2.1%	3.7%	2.4%	1.8%	1.4%	1.0%	2.0%	2.7%	3.1%	3.2%	2.6%
Real Personal Income	-1.7%	1.5%	2.0%	2.2	-1.0%	3.6%	4.3%	1.3%	0.7%	1.5%	1.5%	1.4%

Source: UHERO. Non-farm Payrolls for 2016 and 2017 are UHERO estimates of the benchmark revision. Figures for 2017 are UHERO estimates. Figures for 2018-2020 are forecasts.

From 2008 to 2012, financial markets plummeted. The declines were accompanied by unprecedented realignment of major financial institutions. This economic chaos led to government intervention by the United States and other major economic powers. The intent of the interventions was to bolster the credit



STATE MAP

markets which seized up as a result of the crisis. The positive effects of government intervention on the credit crisis and the passage of time have resulted in worldwide economic improvement and significant improvement in Hawaii's economy.

Economists report that Hawaii's economy hit bottom in 2009. During the financial crisis and subsequently, Hawaii's two major lenders (Bank of Hawaii and First Hawaiian Bank) remained relatively stable compared to many US banks that did not fare as well during the initial stages of the economic chaos. Low mortgage loan interest rates and significant improvement in Hawaii's economy due to tourism have led to significant improvement in real estate conditions as well as substantial construction activity. The construction cycle peaked in mid-2016, however, the volume of activity has remained strong since. Unemployment has been on a declining trend and is forecasted at 2.4 percent for 2018, increasing modestly in future years.

Strong growth in the economy since 2010 has resulted in appreciation in Hawaii's real estate market. The Oahu residential market held up well during the 2008/2009 financial crisis with substantial appreciation since. Most outer island residential markets demonstrated significant decline during the initial economic chaos with improvement over the last several years. The economic crisis caused many residential developers to adjust their plans as several projects were put "on hold." Some developers sold their development sites or were forced to sell by lenders. The overall market is quite different now. Construction is in process or is planned for many projects, indicating a robust real estate recovery. However, different market sectors have demonstrated various levels of improvement.

Major factors likely to affect Hawaii's economy going forward include continued growth (but at a slower pace) in the tourist industry, the expectation of increasing interest rates that will likely adversely affect new construction and real estate activity and national policy including the overhaul of the US tax system (a positive factor in the near term) and national trade/immigration policies, the effects of which are uncertain at this time.

In summary, Hawaii's economy improved from 2000 to 2006, with stabilization in 2007 and modest decline in early and mid-2008. Late 2008 and 2009 were characterized by uncertainty as the financial crisis worsened. Figures for 2010 through 2017 demonstrate improvement, indicating that the economy hit bottom in 2009 with significant improvement since. Economists forecast moderation in growth in Hawaii for 2018 and following years that, to some extent, will be dependent upon conditions in Asia-Pacific (particularly China) and domestic policies associated with the Trump administration.

County of Maui

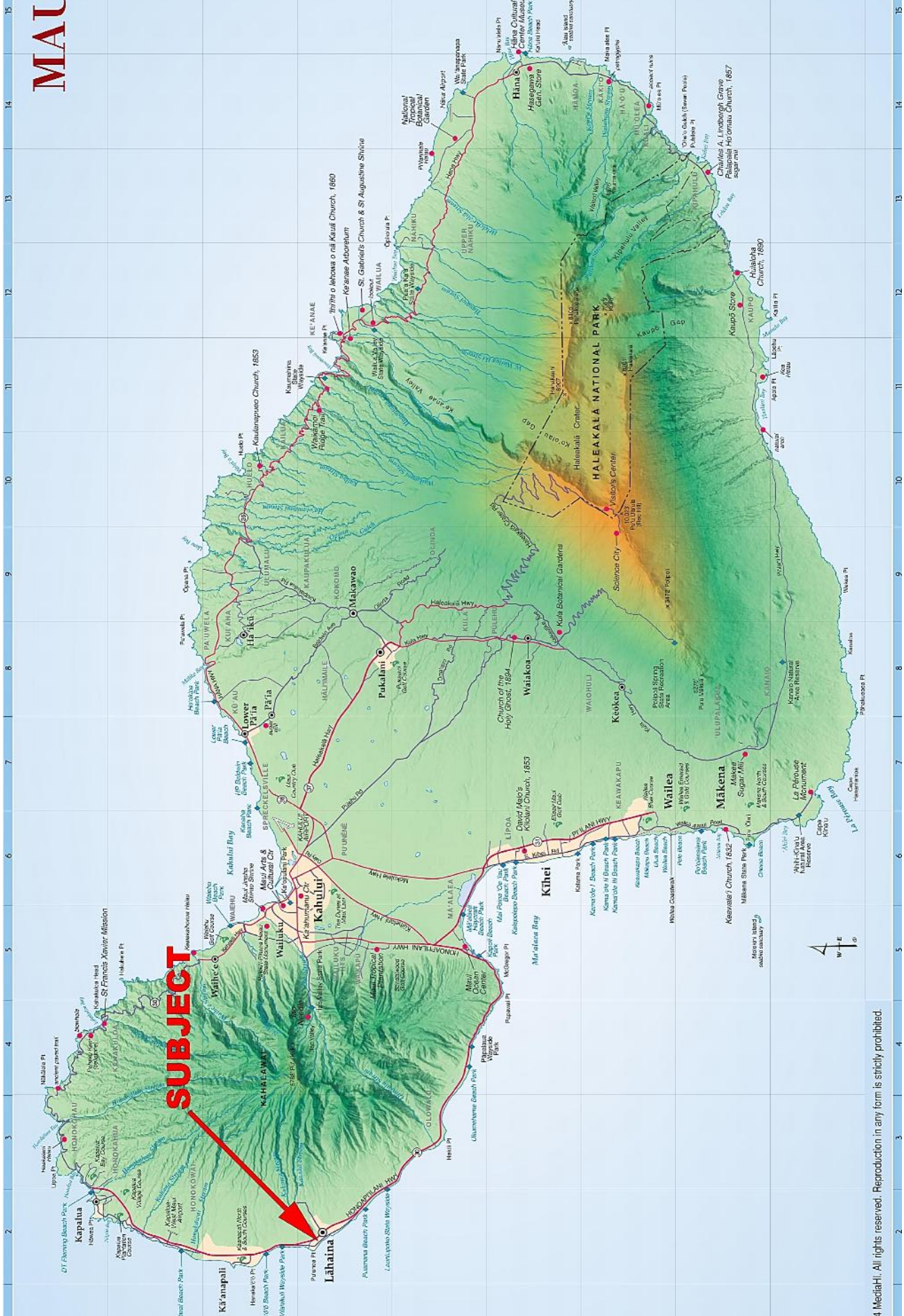
Maui County is comprised of the islands of Maui, Molokai, Lanai and Kaho`olawe.

The island of Maui is located 100± miles southeast of Honolulu and is a major destination area for visitors to Hawaii.

Maui is the largest and most populated island in the County and involves a central fertile plain that separates two mountainous areas. The West Maui Mountains are to the northwest and Haleakala Volcano (10,023 feet elevation) is to the southeast.

The primary urban/commercial center for the island is the Wailuku/Kahului complex centrally located along the north shore of the island. Wailuku is the county seat. Kahului is the industrial/commercial center and includes a port and international airport.

MAUI



SUBJECT

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Vehicular access throughout Maui is provided via a belt roadway system that circumscribes most of the island.

Maui's population is 144,444 (2010), supplemented by a significant transient tourist population.

Maui's visitor industry provides the economic base for the island. In 2017, Maui had 2,742,108 visitors, an increase of 4 percent compared to 2016.

Most tourist oriented facilities are located along the west coast of the island in the vicinity of Kapalua, Kaanapali and Lahaina to the northwest, and Kihei, Wailea and Makena to the southwest. These are ocean oriented tourist areas that cater to the visitor market that provides the economic base for the island. There are three primary destination resorts, Kapalua Resort, Kaanapali Resort and Wailea Resort. Lahaina Town is a quaint tourist attraction that includes visitor oriented shopping and limited hotel facilities.

Maui's real estate market was strong with increasing sales volume and prices in the condominium and single-family sectors from 2000 to 2007. The high end resort market was particularly strong. Estate holdings, particularly oceanfront and ocean oriented properties, demonstrated significant price appreciation due to the demand from wealthy Mainland U.S. residents. Maui's real estate market moderated in 2006/2007 with subsequent decline. As the market is heavily dependent on U.S. Mainland buyers, the national/worldwide economic crisis adversely affected Maui's economy and real estate market. As the economy for the State of Hawaii (and Maui) has improved, Maui's real estate market is similarly improving with appreciation in the resort market. The industrial and commercial markets have also shown improvement.

ENVIRONS

The subject property is located in Lahaina on the northwest coast of Maui.

Lahaina is bordered to the north by Kaanapali, to the east by the West Maui Mountains, to the south by Launiupoko and Olowalu and to the west by the Pacific Ocean. Kahului, the County Seat, is 45± minutes driving time to the east.

Access to the area is via Honoapiilani Highway. The highway extends from Maalaea to the south to Kapalua to the north and is part of the island belt roadway system. A bypass road mauka of Lahaina Town extending to the south was recently constructed.

Maui's northwest coast is the focus of tourist related activities for the island. There are two quality resorts, Kaanapali and Kapalua, north of Lahaina Town. There are also many condominium projects along the waterfront that cater to the transient tourist population. Land south of Lahaina Town, previously used for sugarcane cultivation, which has been phased out, is under development with agricultural estate lots.

Lahaina Town is a major tourist attraction that serves as the commercial center for the resort development which has occurred in the area. It features a small harbor facility, tourist shops and restaurants as well as some hotel facilities. The primary roadway in Lahaina Town is Front Street which runs along the oceanfront. There is significant pedestrian traffic along this roadway where tourist-oriented retail stores command premium rents.



ENVIRONS MAP

Board of Directors
Lahaina Residential Condominium
June 8, 2018

The subject property is located along Front Street, about one block north of the commercial district. The character of the immediate area is residential, catering to both local residents and visitors. Properties in the vicinity of the subject, on the mauka side of Front Street, involve multi-family projects. Kahoma Village, a 200± unit single family and multi-family project, is being developed one block north of the subject. Properties in the vicinity of the subject, on the makai side of Front Street, involve single family residences, many of which front the ocean.

Lahaina Cannery Mall and Lahaina Gateway Center, shopping centers serving both local residents and visitors, are about ½ mile to the north.

In summary, the subject property is located in a residential area on Front Street at the northern fringe of Lahaina Town in close proximity to commercial services.

SUBJECT PROPERTY DATA

A table summarizing Subject Property Data is included on a following page. Details are discussed as follows.

Identification – The subject property is identified by Hawaii State Tax Maps as TMK 4-5-3-11, Second Division (see Tax Map on a following page) containing 73,517 sq. ft. of land improved with Lahaina Residential Condominium project.

The street address is 1034 Front Street, Lahaina, Hawaii.

A Legal Description is included in Exhibit 2 in the Addenda of this report.

Individual leasehold apartment units are identified on a following page.

History/Ownership – Lahaina Residential Condominium was completed in 1979 and ground leases for individual apartments were issued by the landowner (Trustees of the Estate of Bernice Pauahi Bishop) at that time for a 55 year term.

In 2009, AOA0 purchased the leased fee interest in bulk from the landowner. Individual leasehold apartment owners subsequently purchased their respective leased fee interest from the AOA0.

As of the date of this report, 49 leasehold apartment owners have purchased their respective leased fee interests and 11 apartments remain leasehold.

Land Use Ordinances – The State Land Use Classification is Urban District (see State Land Use Map on a following page).

The County Community Plan designation is MF, Multi-Family Residential (see County Community Plan Map on a following page).

County Zoning is A-1, Apartment District which permits low density apartment use.

SUBJECT PROPERTY
Lahaina Residential Condominium
TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

Tax Map Key: 4-5-03-11 (Second Division)

Land Area: 73,517 sq. ft. (1.688 acres)

Location: 1034 Front Street, Lahaina, Maui, Hawaii

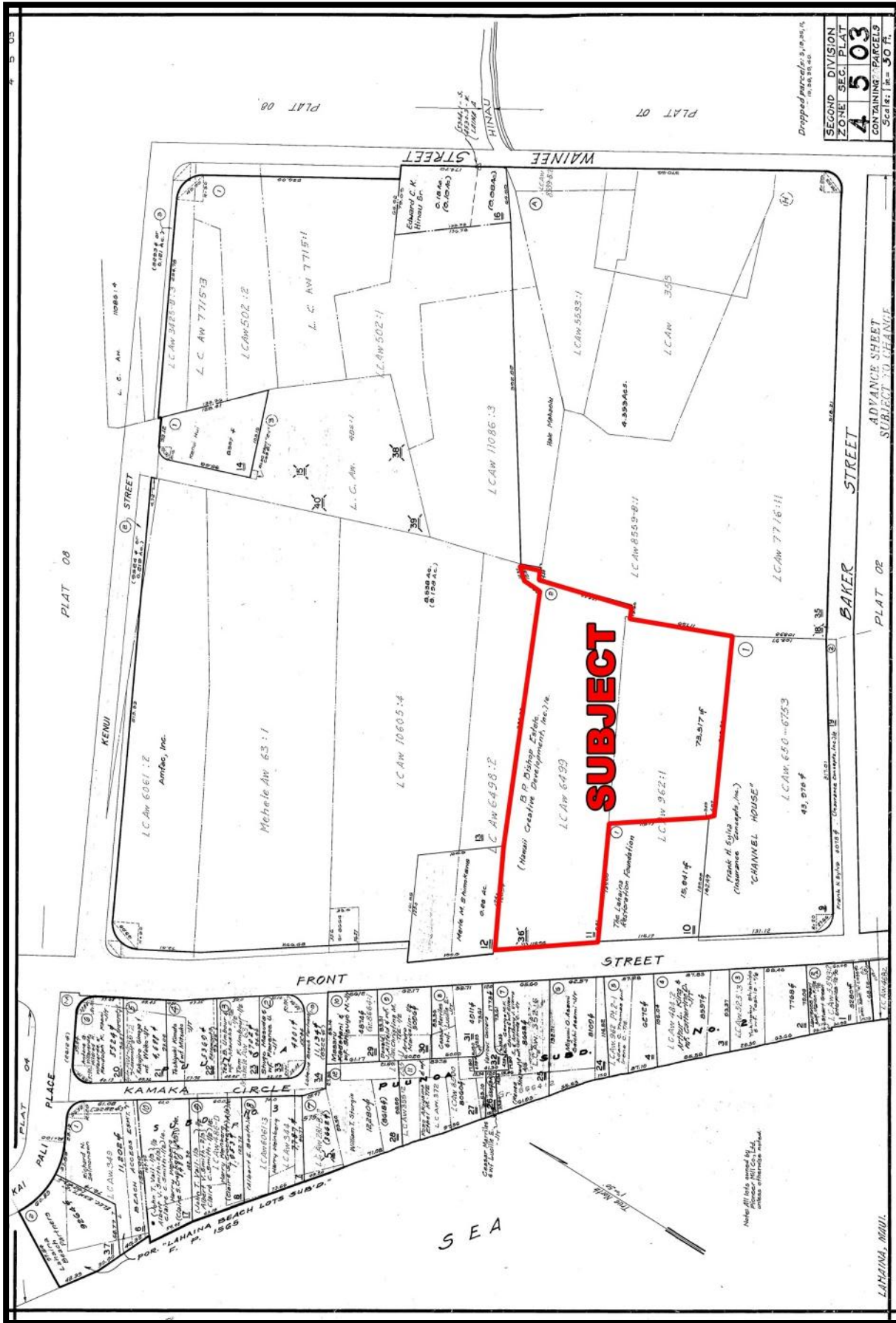
Improvements: Lahaina Residential Condominium, a 60 unit condominium project built in 1979. All of the units are 1 bed/1 bath with 538 sq. ft. of living area, and 49 sq. ft. of lanai/storage area (total 587 sq. ft.). The units are contained in six 2 story concrete/woodframe buildings. There are 75 parking stalls. Project amenities include a swimming pool and barbeque area.

Fee Simple Landowner/
Ground Lessor: AOA Lahaina Residential Condominium

Lessees: 11 individual leasehold condominium apartment owners.

Ordinances Affecting Land Use and Development:

State Land Use:	Urban
County Community Plan:	MF, Multi-Family Residential
County Zoning:	A-1, Apartment District
Federal Flood Insurance Rate Map (FIRM) Panel No. 150030361F, effective 09/19/2012:	Zone X: Areas determined to be outside the 0.2% annual chance floodplain. Small portion is located in Zone AE (EL 8): Special Flood Hazard Areas Subject To Inundation By The 1% Annual Chance Flood. Base Flood Elevations determined.
Special Management Area (SMA):	Located in the Special Management Area
Census Tract:	314.04



SECOND DIVISION
 ZONE SEC. PLAT
4 5 03
 CONTAINING PARCELS
 Scale: 1" = 30 FT.

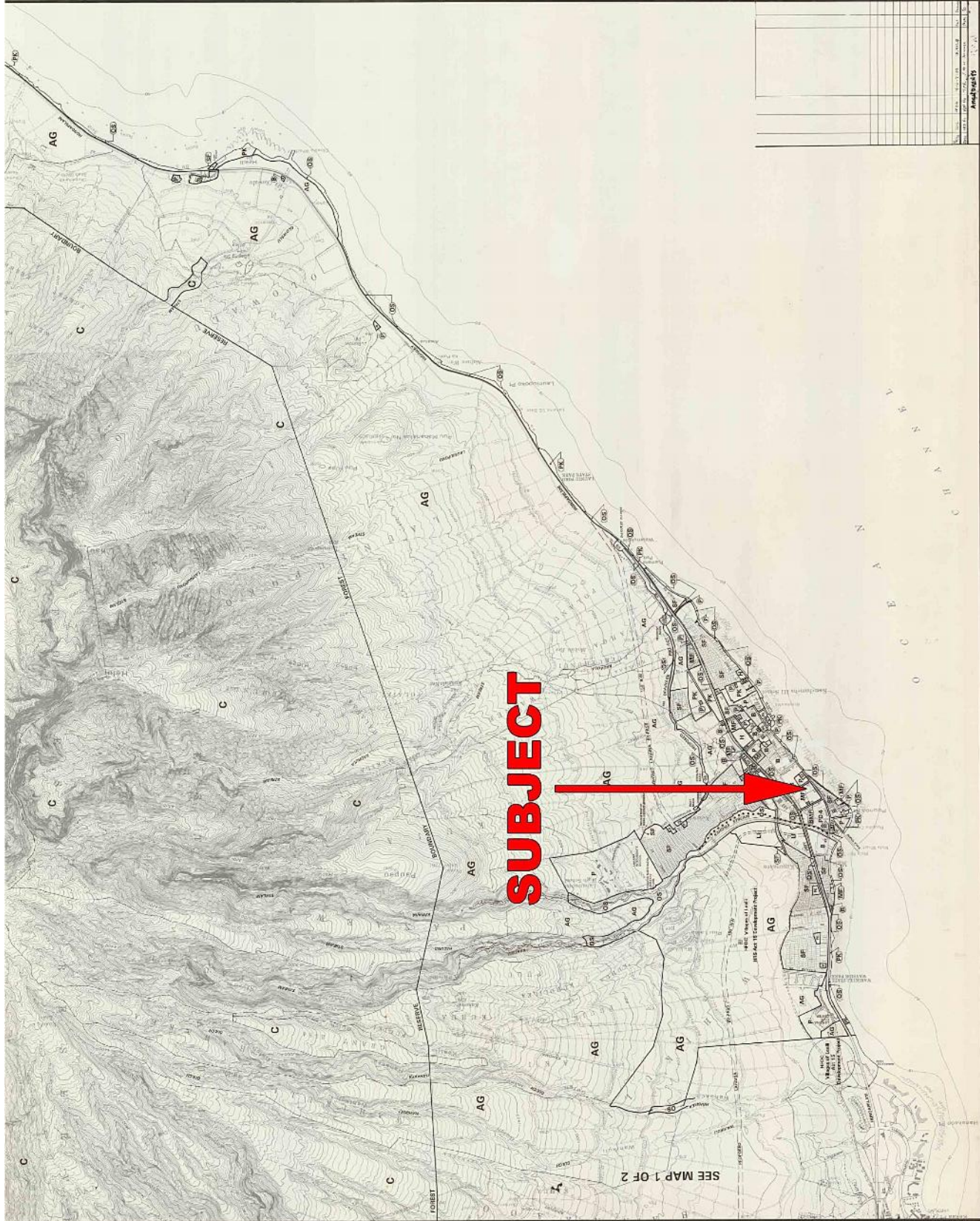
TAX MAP

ADVANCE SHEET
 SUBJECT TO CHANGE

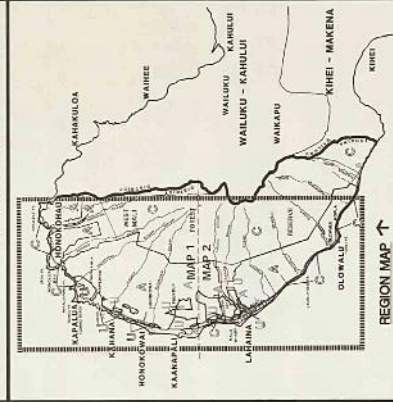
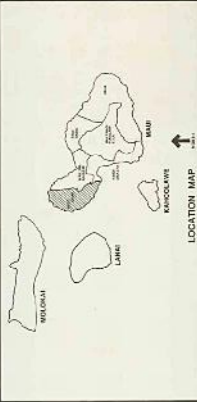
Note: All info issued by L.A. unless otherwise noted.



STATE LAND USE MAP



- SF Single Family Residential
- MF Multi-Family Residential
- B Business/Commercial
- SBR Service Business/Residential
- BMF Business/Multi-Family
- HI Heavy Industrial
- LI Light Industrial
- H Hotel
- P Public/Quasi-Public
- PK Park (GC) Golf Course
- OS Open Space
- PD Project District
- AP Airport
- AG Agricultural
- R Rural
- C Conservation
- C Bikeway
- One-way Street
- ARROW DIRECTION OF TRAFFIC
- PLAN



MAUI COMMUNITY PLANS
WEST MAUI
LAND USE MAP 2 OF 2
 COUNTY OF MAUI

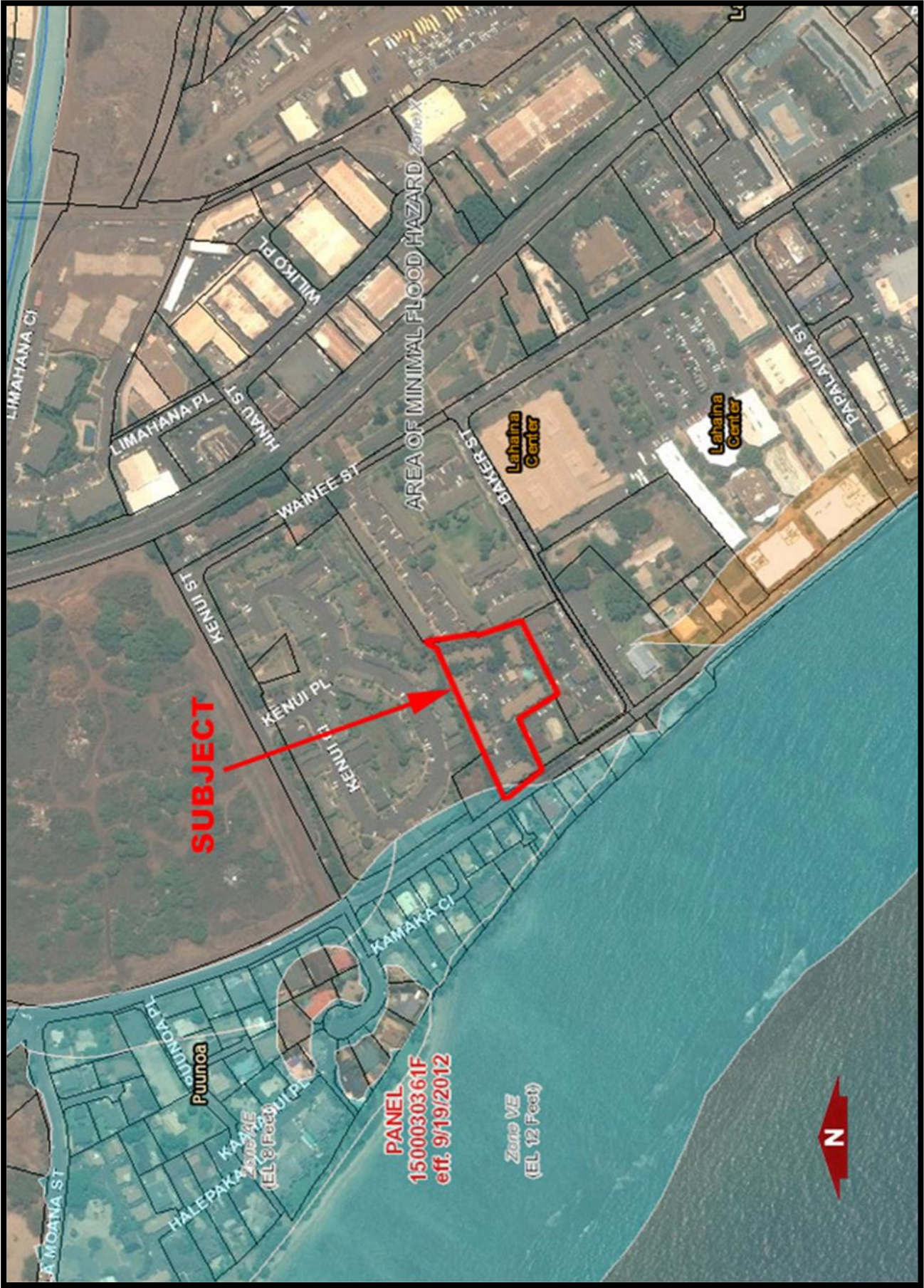
APPROVED: _____ DATE: _____ PUBLIC HEARING: _____
 ADOPTED: _____ ORDNANCE: _____
 PLANNING DIRECTOR: _____ DATE: _____
 REVISOR: _____

NOTE: THIS PRINT MAY NOT BE UP TO DATE
 FOR THE LATEST INFORMATION, CONTACT
 THE PLANNING DEPARTMENT OF PLANNING

THIS IS NOT A ZONING MAP
 FOR THE COUNTY OF MAUI
 CONTACT PLANNING DEPARTMENT

SCALE: _____

4-2-2013



FLOOD ZONE MAP

Board of Directors
Lahaina Residential Condominium
June 8, 2018

The property is located in Flood Zone X (unshaded), indicating areas determined to be outside of the 0.2 percent annual chance floodplain (see Flood Zone Map on a previous page). A small portion at the northwestern corner of the project site is located in Flood Zone AE.

The property is located in the Special Management Area (SMA). Properties in the SMA are subject to an additional level of approval for development purposes that is handled by the County.

Ground Leases – The subject land is encumbered by 11 ground leases from the AOA to the respective leasehold apartment owners. A lease summary is included on a following page.

The lease term is 55 years from January 1, 1979 to December 31, 2033.

Ground rent was fixed, with step-up, for the first 25 years and renegotiates for 10, 10 and 5 years thereafter. Ground rent was set by agreement of the parties effective January 1, 2009 at \$267,782/year for the project (\$4,463/year for each apartment). Ground rent renegotiates effective January 1, 2019 based on the greater of 7 percent of the land value or fair market rental, in either case considering the nature and extent of approved development.

Assessed Values for the condominium project are summarized a following page. Real property taxes are assessed for each individual apartment.

The 2018 land assessed value is \$2,382,000 for the condominium project.

The 2018 total assessed value is \$16,650,000.

It should be noted that assessed values in the State of Hawaii are not necessarily considered accurate indicators of market value.

Utilities – The property is served by utilities including water, wastewater, electrical and telephone lines.

Reservations/Restrictions are included in the Legal Description in Exhibit 2 in the Addenda of this report. To the appraisers' knowledge, there are no encumbrances that detract from the utility of the subject land.

Fee Simple, Leasehold and Leased Fee Sales for the project since 2013 are summarized on following pages.

PROPERTY DESCRIPTION

Land – The Lahaina Residential Condominium site contains 73,517 sq. ft. (1.688 acres) in an L-shape.

Front Street Apartments, a rental apartment project, and a vacant lot are to the north.

Lahaina Surf, a rental apartment project, is to the east.

Channel House, a condominium apartment project, and the U.S. Seamen's Hospital Museum are to the south.

LEASE SUMMARY (Typical Apartment)
 Lahaina Residential Condominium
 TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

Document Title: INDENTURE

Document Date: January 1, 1979 4463.04

Recorded: Book 13564, Page 249

Apartment No.: 224

Lessor: TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP
 (subsequently conveyed to AOA Lahaina Residential Condominium)

Lessee: CYNTHIA OLSEN WALDOR
 (subsequently assigned to Winette Marie Alamodin)

Demised Premises: "ALL the premises comprising a portion of the LAHAINA RESIDENTIAL CONDOMINIUM project (herein called the "project") consisting of all that certain parcel of land situate at Kainehe and Moanui, Lahaina, County of Maui, State of Hawaii, containing an area of 73,517 square feet and comprising Lot 2, as more particularly described in Exhibit A attached hereto and made a part hereof..."

Term: 55 years, from January 1, 1979 to December 31, 2033

Annual Rental: (Payable semiannually in advance)

		Ground Rent	
Period		\$/year	\$/payment
First 15 years,	01/01/1979 - 12/31/1993	\$301	\$150.50
Next 15 years,	01/01/1994 - 12/31/2008	\$451	\$225.50
Next 10 years,	01/01/2009 - 12/31/2018	Renegotiated at \$4,463/year (\$371.92/mo.)	
Next 10 years,	01/01/2019 - 12/31/2028	Renegotiates	
Last 5 years,	01/01/2029 - 12/31/2033	Renegotiates	

Renegotiated Rent: "...shall be equal to Lessee's proportionate share (as established for said apartment by the Declaration) of seven percent (7%) of the than fair market value of said land comprising the whole site of the project or equal to Lessee's said proportionate share of the then current fair market rental value of said land, in either case exclusive of any buildings thereon and considering the nature and extent of approved development thereof, as determined by appraisal as hereinafter provided, whichever is greater..."

Taxes, Assessments, etc.:
 Paid by Lessee.

Residential Use:
 Lessee will use or allow the use of said apartment only for residential purposes, and will not at any time during said term keep or allow to be kept within said apartment or the project any livestock, poultry or rabbits, nor use or allow the use of said apartment for transient or hotel purposes as defined in the Declaration or as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever.

Other:
 This lease contains other covenants of a nature typically found in ground leases in Hawaii regarding insurance, condemnation, surrender, etc.

SUMMARY OF ASSESSED VALUES
Lahaina Residential Condominium
TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

CPR No.	Apt. No.	2018 Assessed Values			% Common Interest [1]	Ground Rent (\$/month)		Unit Areas (sq. ft.) [1]		
		Land	Building	Total		1/1/2009-12/31/2018	Beds/ Baths [1]	Apartment	Lanai/ Storage	Total
1	101	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
2	102	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
3	103	\$39,700	\$237,000	\$276,700	1.6667%	\$371.92	1/1	538	49	587
4	104	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
5	105	\$39,700	\$237,000	\$276,700	1.6667%	\$371.92	1/1	538	49	587
6	106	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
7	107	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
8	108	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
9	109	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
10	110	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
11	111	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
12	112	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
13	113	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
14	114	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
15	115	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
16	116	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
17	117	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
18	118	\$39,700	\$237,000	\$276,700	1.6667%	\$371.92	1/1	538	49	587
19	119	\$39,700	\$237,000	\$276,700	1.6667%	\$371.92	1/1	538	49	587
20	120	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
21	121	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
22	122	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
23	123	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
24	124	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
25	125	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
26	126	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
27	127	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
28	128	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
29	129	\$39,700	\$237,000	\$276,700	1.6667%	-	1/1	538	49	587
30	130	\$39,700	\$237,000	\$276,700	1.6667%	\$371.92	1/1	538	49	587
31	201	\$39,700	\$238,400	\$278,100	1.6667%	\$371.92	1/1	538	49	587
32	202	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
33	203	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
34	204	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
35	205	\$39,700	\$245,000	\$284,700	1.6667%	\$371.92	1/1	538	49	587
36	206	\$39,700	\$238,400	\$278,100	1.6667%	\$371.92	1/1	538	49	587
37	207	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
38	208	\$39,700	\$238,400	\$278,100	1.6667%	\$371.92	1/1	538	49	587
39	209	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
40	210	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
41	211	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
42	212	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
43	213	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
44	214	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
45	215	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
46	216	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
47	217	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
48	218	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
49	219	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
50	220	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
51	221	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
52	222	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
53	223	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
54	224	\$39,700	\$238,400	\$278,100	1.6667%	\$371.92	1/1	538	49	587
55	225	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
56	226	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
57	227	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
58	228	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
59	229	\$39,700	\$238,400	\$278,100	1.6667%	-	1/1	538	49	587
60	230	\$39,700	\$238,400	\$278,100	1.6667%	\$371.92	1/1	538	49	587
Totals:		<u>\$2,382,000</u>	<u>\$14,268,600</u>	<u>\$16,650,600</u>	<u>100.0000%</u>	<u>\$4,091.12</u>		<u>32,280</u>	<u>2,940</u>	<u>35,220</u>

[1] Taken from the Declaration of Condominium Property Regime.
RED-Denotes Leasehold Units

FEE SIMPLE APARTMENT SALES & CURRENT LISTINGS
Lahaina Residential Condominium
TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

CPR No.	Apt. No.	Beds/ Baths	Apt. Area (sq. ft.) [1]	% C/I	Transaction		Price		
					Type	Date [1]	Total	\$/sq. ft.	
<u>CURRENT LISTINGS</u>		None							
<u>SALES-2018</u>									
10	110	1/1	538	1.6667%	Deed & A/Le	03/01/18	\$278,500	\$518	
<u>SALES-2017</u>									
15	115	1/1	538	1.6667%	Deed	07/21/17	\$275,000	\$511	
55	225	1/1	538	1.6667%	Deed	05/30/17	\$275,000	\$511	
58	228	1/1	538	1.6667%	Deed	02/22/17	\$280,000	\$520	
40	210	1/1	538	1.6667%	Deed	01/27/17	\$275,000	\$511	
						Average:	\$276,250	\$513	
<u>SALES-2016</u>									
41	211	1/1	538	1.6667%	Deed	02/09/16	\$250,000	\$465	
6	106	1/1	538	1.6667%	Deed	06/08/16	\$265,000	\$493	
						Average:	\$257,500	\$479	
<u>SALES-2015</u>									
47	217	1/1	538	1.6667%	Deed & A/Le	12/31/15	\$242,000	\$450	
2	102	1/1	538	1.6667%	Deed & A/Le	10/27/15	\$247,000	\$459	
17	117	1/1	538	1.6667%	Deed & A/Le	10/05/15	\$244,500	\$454	
48	218	1/1	538	1.6667%	Deed & A/Le	08/04/15	\$227,500	\$423	
7	107	1/1	538	1.6667%	Deed & A/Le	07/27/15	\$242,000	\$450	
16	116	1/1	538	1.6667%	Deed & A/Le	05/04/15	\$245,200	\$456	
46	216	1/1	538	1.6667%	Deed	01/30/15	\$230,000	\$428 [2]	
						Average:	\$239,743	\$446	
<u>SALES-2014</u>									
24	124	1/1	538	1.6667%	Deed	12/18/14	\$250,000	\$465	
45	215	1/1	538	1.6667%	Deed	11/26/14	\$242,000	\$450	
40	210	1/1	538	1.6667%	Deed	07/03/14	\$150,000	\$279 [2]	
32	202	1/1	538	1.6667%	Deed	06/09/14	\$204,500	\$380	
9	109	1/1	538	1.6667%	Deed & A/Le	03/27/14	\$184,000	\$342	
1	101	1/1	538	1.6667%	Deed & A/Le	03/05/14	\$198,000	\$368	
						Average:	\$204,750	\$381	
<u>SALES-2013</u>									
6	106	1/1	538	1.6667%	Deed & A/Le	10/31/13	\$175,000	\$325	
41	211	1/1	538	1.6667%	Deed & A/Le	10/25/13	\$183,000	\$340	
37	207	1/1	538	1.6667%	Deed	07/24/13	\$189,500	\$352	
29	129	1/1	538	1.6667%	Deed & A/Le	02/15/13	\$163,500	\$304	
						Average:	\$177,750	\$330	

[1] Recordation date.

[2] Sold by AOA.

SUMMARY OF FEE SIMPLE APARTMENT SALES & CURRENT LISTINGS [1]
 Lahaina Residential Condominium
 TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

Year	One Bedroom Units		
	No. of Sales	Average Price	% Change
Listings	0	–	–
2018	1	\$278,500	1%
2017	4	\$276,250	7%
2016	2	\$257,500	7%
2015	7	\$239,743	17%
2014	6	\$204,750	15%
2013	4	\$177,750	–

LEASEHOLD APARTMENT SALES
Lahaina Residential Condominium
TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

CPR No.	Apt. No.	Beds/ Baths	Apt. Area (sq. ft.)	% C/I	Transaction		Price		
					Type	Date [1]	Total	\$/sq. ft.	
<u>CURRENT LISTINGS [2]</u>									
26	126	1/1	538	1.6667%	Under Contract		\$179,000	\$333	
<u>SALES-2018</u>									
8	108	1/1	538	1.6667%	A/Le	05/08/18	\$161,500	\$300	
10	110	1/1	538	1.6667%	A/Le	03/01/18	\$166,500	\$309 [3]	
<u>SALES-2017</u>									
		None							
<u>SALES-2016</u>									
		None							
<u>SALES-2015</u>									
47	217	1/1	538	1.6667%	A/Le	12/31/15	\$140,000	\$260 [3]	
2	102	1/1	538	1.6667%	A/Le	10/27/15	\$145,000	\$270 [3]	
17	117	1/1	538	1.6667%	A/Le	10/05/15	\$142,500	\$265 [3]	
26	126	1/1	538	1.6667%	A/Le	10/08/15	\$140,000	\$260	
48	218	1/1	538	1.6667%	A/Le	08/04/15	\$125,500	\$233 [3]	
7	107	1/1	538	1.6667%	A/Le	07/27/15	\$140,000	\$260 [3]	
16	116	1/1	538	1.6667%	A/Le	05/04/15	\$143,200	\$266 [3]	
					Average:		\$139,457	\$259	
<u>SALES-2014</u>									
9	109	1/1	538	1.6667%	A/Le	03/27/14	\$82,000	\$152 [3]	
1	101	1/1	538	1.6667%	A/Le	03/05/14	\$96,000	\$178 [3]	
					Average:		\$89,000	\$165	
<u>SALES-2013</u>									
8	108	1/1	538	1.6667%	A/Le	12/05/13	\$65,000	\$121	
6	106	1/1	538	1.6667%	A/Le	10/31/13	\$75,000	\$139 [3]	
41	211	1/1	538	1.6667%	A/Le	10/25/13	\$81,000	\$151 [3]	
13	113	1/1	538	1.6667%	A/Le	05/02/13	\$67,000	\$125 [4]	
29	129	1/1	538	1.6667%	A/Le	02/15/13	\$63,500	\$118 [3]	
					Average:		\$70,300	\$131	

[1] Recordation date.

[2] Current listing from MLS as of 5/22/2018.

[3] Buyer also purchased leased fee interest.

[4] Lender REO.

LEASED FEE INTEREST SALES
Lahaina Residential Condominium
TMK 4-5-03-11 (Second Division)
Lahaina, Maui, Hawaii

CPR No.	Apt. No.	Beds/ Baths	Apt. Area (sq. ft.)	% C/I	Transaction		Price		
					Type	Date [1]	Total	\$/sq. ft.	
<u>SALES-2018</u>									
34	204	1/1	538	1.6667%	Deed (LF)	04/30/18	\$112,000	\$208	
10	110	1/1	538	1.6667%	Deed (LF)	03/01/18	\$112,000	\$208	[2]
						Average:	\$112,000	\$208	
<u>SALES-2017</u>									
59	229	1/1	538	1.6667%	Deed (LF)	01/19/17	\$112,000	\$208	
<u>SALES-2016</u>									
50	220	1/1	538	1.6667%	Deed (LF)	02/29/16	\$101,000	\$188	
51	221	1/1	538	1.6667%	Deed (LF)	02/29/16	\$101,000	\$188	
4	104	1/1	538	1.6667%	Deed (LF)	02/26/16	\$102,000	\$190	
15	115	1/1	538	1.6667%	Deed (LF)	01/29/16	\$102,000	\$190	
						Average:	\$101,500	\$189	
<u>SALES-2015</u>									
47	217	1/1	538	1.6667%	Deed (LF)	12/31/15	\$102,000	\$190	[2]
2	102	1/1	538	1.6667%	Deed (LF)	10/27/15	\$102,000	\$190	[2]
22	122	1/1	538	1.6667%	Deed (LF)	10/15/15	\$102,000	\$190	
17	117	1/1	538	1.6667%	Deed (LF)	10/05/15	\$102,000	\$190	[2]
48	218	1/1	538	1.6667%	Deed (LF)	08/04/15	\$102,000	\$190	[2]
7	107	1/1	538	1.6667%	Deed (LF)	07/27/15	\$102,000	\$190	[2]
25	125	1/1	538	1.6667%	Deed (LF)	07/09/15	\$101,000	\$188	
53	223	1/1	538	1.6667%	Deed (LF)	05/05/15	\$102,000	\$190	
16	116	1/1	538	1.6667%	Deed (LF)	05/04/15	\$102,000	\$190	[2]
42	212	1/1	538	1.6667%	Deed (LF)	04/29/15	\$101,000	\$188	
20	120	1/1	538	1.6667%	Deed (LF)	02/27/15	\$101,000	\$188	
21	121	1/1	538	1.6667%	Deed (LF)	02/27/15	\$101,000	\$188	
						Average:	\$101,667	\$189	
<u>SALES-2014</u>									
9	109	1/1	538	1.6667%	Deed (LF)	03/27/14	\$102,000	\$190	[2]
1	101	1/1	538	1.6667%	Deed (LF)	03/05/14	\$102,000	\$190	[2]
						Average:	\$102,000	\$190	
<u>SALES-2013</u>									
6	106	1/1	538	1.6667%	Deed (LF)	10/31/13	\$100,000	\$186	[2]
41	211	1/1	538	1.6667%	Deed (LF)	10/25/13	\$102,000	\$190	[2]
13	113	1/1	538	1.6667%	Deed (LF)	05/31/13	\$100,000	\$186	
32	202	1/1	538	1.6667%	Deed (LF)	05/08/13	\$100,000	\$186	
29	129	1/1	538	1.6667%	Deed (LF)	02/15/13	\$100,000	\$186	[2]
						Average:	\$100,400	\$187	

[1] Recordation date.

[2] Buyer also purchased leasehold interest.

Front Street borders the subject site to the west. In front of the property, Front Street involves two traffic lanes. There are curbs, gutters and sidewalks along the mauka side of Front Street. Utility lines are overhead. Single family residences and a vacant lot under construction are located across Front Street. The Pacific Ocean is further west.

The site is fairly level.

There are no significant views.

Improvements - The land was developed in the 1979 timeframe with Lahaina Residential Condominium, 60 townhouse style residential units in six, two story buildings located along the property boundaries with a central paved parking area.

The buildings contain 8 to 14 units. All units are 1 bedroom, 1 bath with 538 sq. ft. of living area have 49 sq. ft. of lanai/storage area.

Project amenities include a swimming pool, barbeque area and landscaping.

Because this appraisal involves ground rent, a detailed description of the improvements has not been included.

RIGHTS APPRAISED

The rights appraised involve market ground rent for the subject land in accordance with ground lease terms.

HIGHEST AND BEST USE

Highest and Best Use is the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

As if Vacant

Legally Permissible uses for land are typically set forth by the zoning code. A-1, Apartment zoning for the subject property allows low density apartment use.

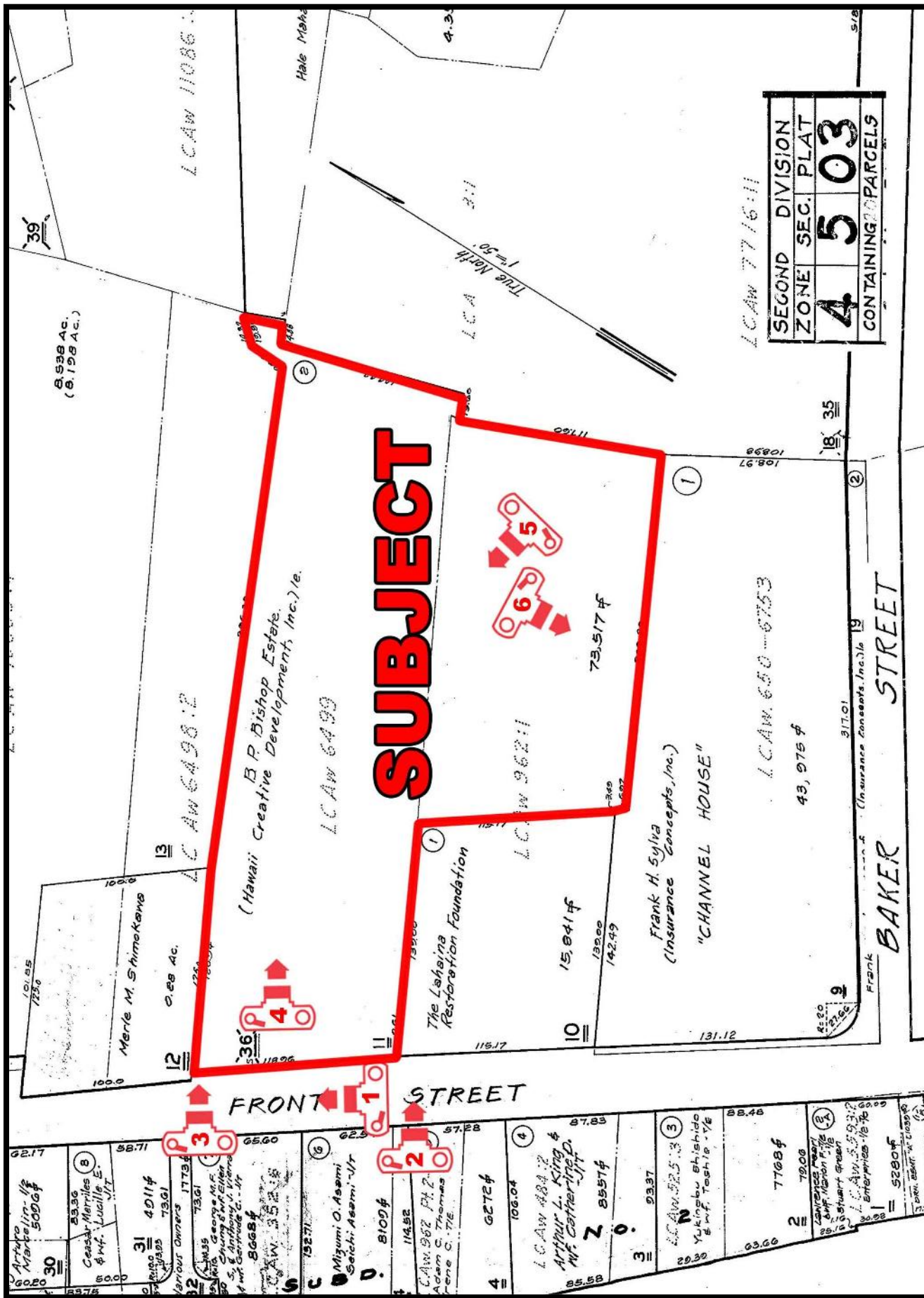
Physically Possible – Apartment use is physically possible.

Financially Feasible – Apartment use is financially feasible as demonstrated by such uses in the vicinity.

Maximally Productive – Apartment use is the maximally productive use of the land, assumed vacant and available for development to its highest and best use.



AERIAL PHOTOGRAPH



TAX MAP

SUBJECT PROPERTY
Lahaina Maui, Hawaii



PHOTO NO. 1: Northernly view along Front Street. The Subject Property is to the right.



PHOTO NO. 2: Easterly view across Front Street along the southern boundary of the Subject Property. The Subject Property is to the left and U.S. Seamen's Hospital Museum is to the right.

SUBJECT PROPERTY
Lahaina Maui, Hawaii



PHOTO NO. 3: Easterly view across Front Street along the Subject Property's northern boundary. The Subject Property is to the right. Vacant land is to the left.



PHOTO NO. 4: Easterly view along the northern portion of the Subject Property.

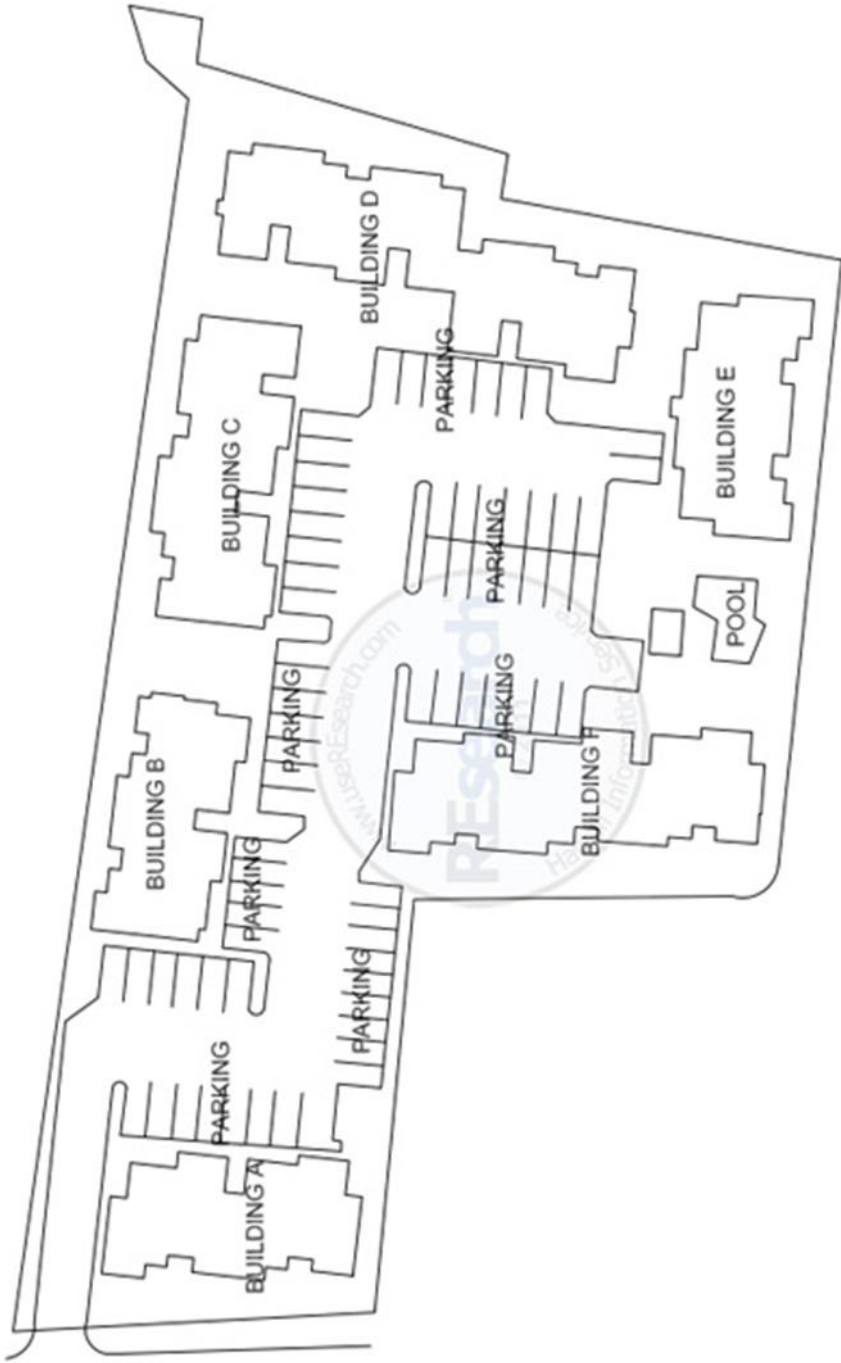
SUBJECT PROPERTY
Lahaina Maui, Hawaii



PHOTO NO. 5: Northwesterly view from the southwest corner of the property.

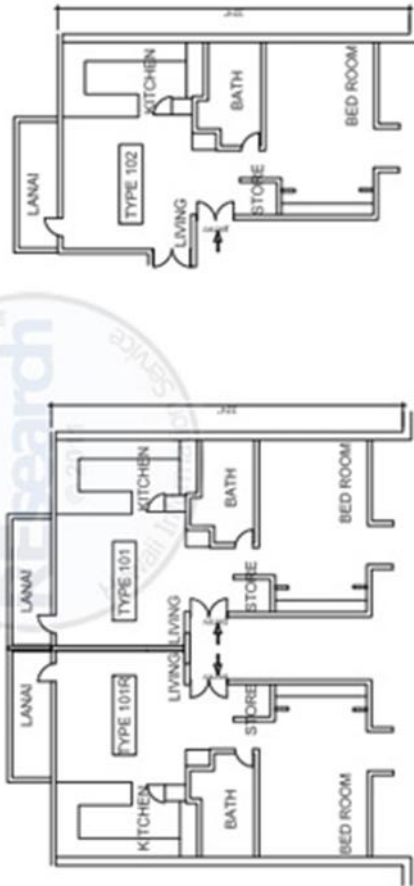
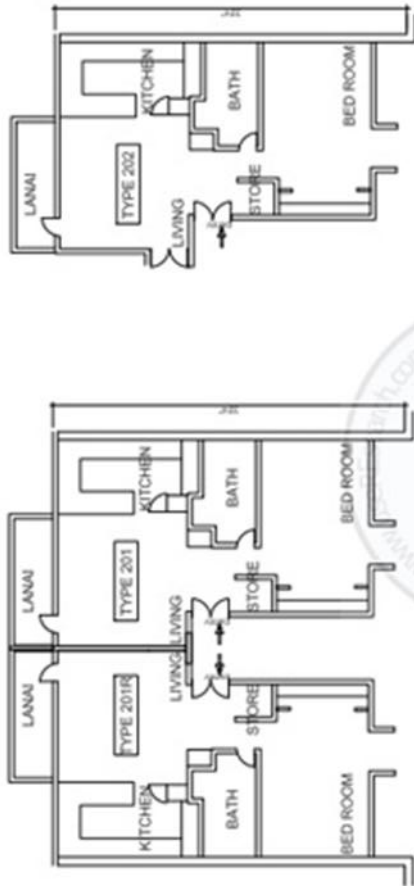


PHOTO NO. 6: Southerly view of the swimming pool.



SITE PLAN
LAHAINA RESIDENTIAL

SITE PLAN



TYPICAL BED ROOM PLAN

TYPICAL BED ROOM PLAN

LAHAINA RESIDENTIAL

FLOOR PLAN

It is noted that the ground leases require that the land be valued for rent renegotiation purposes considering the nature and extent of the approved development, which is low density apartment use.

As Improved

The existing improvements continue to contribute to the overall property value.

The highest and best use of the subject property, as improved, is for continued residential condominium use.

APPRAISAL METHODOLOGY

Ground rent was estimated in accordance with ground lease terms by multiplying the fee simple land value by the contract land rate of return.

The fee simple land value and land rate of return were estimated employing the market comparison approach.

The cost and income approaches were not employed as they are not directly applicable to valuation of the subject property.

LAND VALUE ANALYSIS

Employing the direct market comparison approach, the appraisers researched transactions involving land with residential highest and best use in Lahaina Town. Due to the scarcity of transactions in Lahaina Town, the search for transactions was extended to residential areas to the north. Timewise, the research included January 2015 through present.

A table summarizing the most pertinent transactions disclosed by the research is included on a following page with an accompanying map. Details regarding each transaction are included in Exhibit 3 in the addenda of this report. The data is briefly discussed as follows.

Transaction No. 1 involves 75,801 sq. ft. zoned A-2, Apartment improved with West Maui Trades condominium at Honokowai. Ground rent for the project was redetermined by agreement of the parties effective October 2017 based on a land value of \$3,562,325, reflecting \$47 per sq. ft. of land area. It is noted that ground rent was set 10 years prior by agreement of the parties, effective October 2007, based on higher land value of \$4,396,500 (\$58 per sq. ft.).

Transaction No. 2 involves 20,899 sq. ft. of vacant land at Napili zoned Napili Bay Civic Improvement District that sold in June 2017 for \$1,200,000, reflecting \$57 per sq. ft. The land was acquired for development with 2 to 3 dwelling units and previously sold in June 2014 for \$725,000 (\$35 per sq. ft.).

Transaction No. 3 involves 63,598 sq. ft. zoned A-2, Apartment improved with Honokowai East condominium at Honokowai. Ground rent for the project was redetermined by agreement of the parties effective March 2017 based on a land value of \$2,856,600, reflecting \$45 per sq. ft.



LAND TRANSACTIONS

LAND TRANSACTIONS
Island of Maui, Hawaii

Trans. No.	Location (Tax Map Key)	Land Area		Zoning	Transaction		Transaction Price/ Indicated Land Value		Comments
		sq. ft.	acres		Type	Date	\$	\$/sq. ft.	
1	West Maui Trades 3676 Lower Honoapiilani Road (4-4-01-38)	75,801	1.740	A-2	Rent Reneg.	10/01/17	\$3,562,325	\$47	Ground rent renegotiation by agreement of the parties for land under West Maui Trades (96 units). Ground rent previously set by agreement of the parties in October 2007 based on land value of \$58/sq. ft.
2	Vacant Land 5385 Lower Honoapiilani Road (4-3-02-57)	20,899	0.480	NBCID	Deed	06/26/17	\$1,200,000	\$57	Previously sold in June 2014 for \$725,000 (\$35/sq. ft.). Purchased for development with two to three dwellings for vacation rental use.
3	Honokowai East 3660 Lower Honoapiilani Road (4-4-01-66)	63,598	1.460	A-2	Rent Reneg.	03/01/17	\$2,856,600	\$45	Ground rent renegotiation by agreement of the parties for land under Honokowai East (51 units).
4	Vacant Land 5335 Lower Honoapiilani Road (4-3-02-45)	20,963	0.481	NBCID	Deed	10/09/15	\$975,000	\$47	Purchased for development with a two unit vacation rental. Previously sold in January 2005 for \$1,200,000 (\$57/sq. ft.).

Transaction No. 4 involves 20,963 sq. ft. of vacant land at Napili zoned Napili Civic Improvement District that sold in October 2015 for \$975,000, reflecting \$47 per sq. ft. The land was purchased for development with two vacation rental units and previously sold in January 2005 for \$1,200,000 (\$57 per sq. ft.).

Direct Market Comparison Analysis is summarized on a table on a following page. For purposes of analysis, a unit rate of dollar per square foot of land area was employed. Adjustments made are discussed as follows.

Financing – The appraisers are not aware of any financing issues that require adjustment.

Conditions of Sale – The appraisers are not aware of any special conditions and no adjustments were made.

Time adjustments are made to account for changes in market conditions from the transaction date to the effective value date. Review of the transactions and published median price data included on a following page indicate an appreciating market in the 2015 to current timeframe. Time adjustments were made based on an appreciation rate of +5 percent per year and range from +3 to +14 percent.

Location – The subject property has a good location on the mauka side of Front Street on the northern fringe of Lahaina Town.

Comparable Nos. 1 and 3 are located on the mauka side of Lower Honoapiilani Highway at Honokowai, a modestly inferior location relative to the subject property, and adjustments of +10 percent were made.

Comparable Nos. 2 and 4 are located on the makai side of Lower Honoapiilani Highway at Napili, considered similar to the subject, and no adjustments were made.

Access/Corner/Frontage – The subject property has single road frontage, similar to Comparable No. 1 which was not adjusted.

Comparable No. 3 has access via narrow roadway with modest road frontage, inferior to the subject. An adjustment of -5 percent was made.

Comparable Nos. 2 and 4 have superior corner locations and were adjusted -5 percent.

Zoning/Development Potential – The subject property is zoned A-1, Apartment which allows low density apartment use. The subject ground leases require that the land value be set based on the existing low density apartment use.

Comparable Nos. 1 and 3 are zoned for higher density apartment use, more intensive development than the subject, and adjustments of -10 percent were made.

Comparable Nos. 2 and 3 were purchased for low density development and no adjustments were made.

Size adjustments were made employing the best fit 95 percent Dilmore Tables curve and range from no adjustment to -9 percent.

SALES VOLUME & MEDIAN PRICE
Lahaina, Island of Maui, Hawaii

	Single Family				Single Family			
	Island of Maui		Lahaina		Island of Maui		Lahaina	
	No.	% Ch.	No.	% Ch.	\$	% Ch.	\$	% Ch.
2007	1,142	6%	40	-31%	\$630,069	-9%	\$1,125,000	17%
2008	910	-20%	23	-43%	\$577,774	-8%	\$1,295,000	15%
2009	693	-24%	31	35%	\$498,106	-14%	\$650,000	-50%
2010	817	18%	41	32%	\$460,000	-8%	\$501,900	-23%
2011	901	10%	38	-7%	\$432,500	-6%	\$518,550	3%
2012	933	4%	50	32%	\$470,000	9%	\$512,500	-1%
2013	984	5%	52	4%	\$530,000	13%	\$606,250	18%
2014	944	-4%	53	2%	\$570,000	8%	\$775,000	28%
2015	1,090	15%	51	-4%	\$580,000	2%	\$700,000	-10%
2016	1,076	-1%	70	37%	\$639,000	10%	\$766,500	10%
2017	1,099	2%	66	-6%	\$695,000	9%	\$1,100,000	44%
2018 [1]	375	13%	21	50%	\$688,025	0%	\$900,000	-1%

	Condominium				Condominium			
	Island of Maui		Lahaina		Island of Maui		Lahaina	
	No.	% Ch.	No.	% Ch.	\$	% Ch.	\$	% Ch.
2007	1,133	-2%	75	-1%	\$550,000	6%	\$529,000	-2%
2008	736	-35%	17	-77%	\$575,000	5%	\$530,000	0%
2009	780	6%	50	194%	\$465,000	-19%	\$409,500	-23%
2010	1,091	40%	59	18%	\$388,041	-17%	\$380,000	-7%
2011	1,063	-3%	76	29%	\$330,000	-15%	\$347,500	-9%
2012	1,169	10%	75	-1%	\$366,086	11%	\$367,000	6%
2013	1,266	8%	81	8%	\$375,488	3%	\$360,000	-2%
2014	1,151	-9%	67	-17%	\$425,000	13%	\$425,700	18%
2015	1,124	-2%	99	48%	\$422,500	-1%	\$448,420	5%
2016	1,228	9%	67	-32%	\$430,000	2%	\$486,145	8%
2017	1,374	12%	73	9%	\$466,500	8%	\$510,000	5%
2018 [1]	517	21%	19	-35%	\$503,000	3%	\$477,500	-3%

	Land				Land			
	Island of Maui		Lahaina		Island of Maui		Lahaina	
	No.	% Ch.	No.	% Ch.	\$	% Ch.	\$	% Ch.
2007	227	-11%	20	-5%	\$565,000	-18%	\$1,425,000	46%
2008	99	-56%	3	-85%	\$700,000	24%	\$1,000,000	-30%
2009	111	12%	13	333%	\$500,000	-29%	\$900,000	-10%
2010	127	14%	24	85%	\$405,000	-19%	\$655,280	-27%
2011	134	6%	15	-38%	\$310,500	-23%	\$790,000	21%
2012	173	29%	12	-20%	\$350,000	13%	\$825,000	4%
2013	216	25%	11	-8%	\$400,000	14%	\$784,000	-5%
2014	166	-23%	12	9%	\$520,000	30%	\$707,500	-10%
2015	154	-7%	10	-17%	\$447,650	-14%	\$508,500	-28%
2016	162	5%	20	100%	\$450,000	1%	\$999,500	97%
2017	221	36%	8	-60%	\$370,000	-18%	\$932,500	-7%
2018 [1]	78	50%	6	200%	\$477,575	18%	\$1,525,000	64%

[1] Through April 2018 compared with the same period through April 2017.

LAND VALUE ANALYSIS [1]
 TMK 4-5-03-11 (Second Division)
 Lahaina, Maui, Hawaii

DESCRIPTION	Subject	Trans No 1	Trans No 2	Trans No 3	Trans No 4
PROPERTY DATA					
Tax Map Key Property	4-5-03-11 Lahaina Residential Condominium Front Street, Lahaina	4-4-01-38 West Maui Trades Rent Reneg.	4-3-02-57 Vacant Deed	4-4-01-66 Honokowai East Rent Reneg.	4-3-02-45 Vacant Deed
Location		Lower Honoapiilani Road, Honokowai	Lower Honoapiilani Road, Napili	Lower Honoapiilani Road, Honokowai	Lower Honoapiilani Road, Napili
Transaction Type	-	10/01/17	06/26/17	03/01/17	10/19/15
Transaction Date	-	A-1	NBCID	A-2	NBCID
Zoning (Height Limit)	73,517	75,801	20,899	63,598	20,963
Land Area (sq. ft.)	1.688	1.740	0.480	1.460	0.481
Land Area (acres)					
TRANSACTION ANALYSIS					
Transaction Price		\$3,562,325	\$1,200,000	\$2,856,600	\$975,000
\$/sq. ft. of Land Area		\$47	\$57	\$45	\$47
ADJUSTMENT FOR FINANCING					
Financing Adjustment		x	x	x	x
Adjusted Unit Rate (\$/sq. ft. of Land Area)		<u>1.00</u> \$47	<u>1.00</u> \$57	<u>1.00</u> \$45	<u>1.00</u> \$47
ADJUSTMENT FOR CONDITIONS OF SALE					
Conditions of Sale Adjustment		x	x	x	x
Adjusted Unit Rate (\$/sq. ft. of Land Area)		<u>1.00</u> \$47	<u>1.00</u> \$57	<u>1.00</u> \$45	<u>1.00</u> \$47
ADJUSTMENT FOR TIME					
Time Adjustment		x	x	x	x
Adjusted Unit Rate (\$/sq. ft. of Land Area)		<u>1.03</u> \$48	<u>1.05</u> \$60	<u>1.06</u> \$48	<u>1.14</u> \$54
OTHER ADJUSTMENTS					
Location		10%	0%	10%	0%
Access/Corner/Frontage		0%	-5%	5%	-5%
Zoning/Development Potential		-10%	0%	-10%	0%
Net Adjustments		\$0	(\$3)	\$2	(\$3)
Subtotal		\$48	\$57	\$50	\$51
Size Adjustment [2]		x	x	x	x
Adjusted Unit Rate Per Square Foot		<u>1.00</u> \$48	<u>0.91</u> \$52	<u>0.99</u> \$50	<u>0.91</u> \$46
INDICATED SUBJECT VALUE					
WEIGHTED AVERAGE		x	x	x	x
Weighting Factor:		\$3,528,816	\$3,822,884	\$3,675,850	\$3,381,782
Weighted Average:		\$1,235,086	\$573,433	\$1,286,548	\$507,267
	Say,	\$3,600,000	\$49	/Sq. Ft. of Land Area	
UNWEIGHTED SUMMARY					
	Total	Unit Value			
Range:	\$3,381,782 to	\$46	to	\$52	
Median:	\$3,602,333			\$49	
Average:	\$3,602,333			\$49	

[1] The effective date of this analysis is: 06/08/18

[2] Based on the Dilmore Size Adjustment Tables, 95% curve.

Land Value Conclusion – Weighted average analysis was completed. Greatest weight was placed on Transaction Nos. 1 and 3 as they involve condominium sites similar in size to the subject property and are relatively recent.

The analysis indicates a fee simple land value of \$3,600,000 (\$49 per sq. ft.).

The estimated exposure and marketing times are 6± months.

LAND RATE OF RETURN

The subject leases call for a 7 percent land rate of return or “current fair market rental value of said land” whichever is greater.

The generally prevailing rate of return for condominium land on Maui (and elsewhere through the State) is 8.0 percent. Transaction No. 1 herein reflects a rate of return of 8 percent from the lessor’s perspective, consistent with the perception of many market participants. However, the lessee’s representative reported that he analyzed the transaction using a lower rate of return of 7 percent. Also, the same lessee’s representative reported that Transaction No. 3 was based on a 7 percent rate of return. As such, the appraisers have concluded a 7.5 percent land rate of return herein.

GROUND RENT CONCLUSION

Multiplication of the fee simple land value by the prevailing rate of return follows.

Fee Simple Land Value	\$ 3,600,000
Rate of Return	x <u>7.5%/yr.</u>
Market Rent	\$ 270,000/yr.

Based upon the research and analyses completed, subject to the Limiting Conditions and Assumptions contained in this report, we estimate that market rent for the subject property, in accordance with ground lease terms, as of June 8, 2017, was as follows:

**TWO HUNDRED SEVENTY THOUSAND DOLLARS PER YEAR
(\$270,000 Per Year)**

At this amount for the entire project, ground rent for individual apartments is \$4,500 per year (\$270,000 ÷ 60 units). This rent is near the project rent set 10 years ago of \$267,782 per year.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.

- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Jan R. Medusky, MAI, CRE has performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Edward W. Becker, MAI prepared an appraisal of leasehold Apartment No. 117 in May 2017.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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 appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Jan R. Medusky, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Edward W. Becker, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Board of Directors
Lahaina Residential Condominium
June 8, 2018

We appreciate the opportunity of completing this assignment for you.

Sincerely,

Medusky & Co., Inc.



**Jan R. Medusky, MAI, CRE
President**

Hawaii State Certified General Appraiser
CGA-17
Certificate Expires 12/31/19



**Edward W. Becker, MAI
Real Estate Appraiser**

Hawaii State Certified General Appraiser
CGA-581
Certificate Expires 12/31/19

A D D E N D A

LIMITING CONDITIONS AND ASSUMPTIONS

The conduct of any study is necessarily guided by, and its results influenced by, the terms of the assignment and the assumptions forming the basis of the study. The following conditions and assumptions, together with other assumptions embodied in the study, constitute the framework of our analysis and conclusions.

STANDARD LIMITING CONDITIONS AND ASSUMPTIONS

1. **The conclusions and opinions** are based upon the purchasing power of the dollar and economic conditions as of the effective appraisal date. This study expresses the opinion of the appraisers as of June 8, 2018 with an effective date of June 8, 2018 and in no way was contingent upon the reporting of specified conclusions.
2. **It is assumed that the subject property is free and clear** of any and all encumbrances, except for those noted herein; no responsibility is assumed for matters of a legal nature; nor is the report to be construed as rendering any opinion of title, which is assumed to be good and salable.
3. **Soil Conditions and Land Areas** – A soils report was not furnished to the appraisers. We assume soil conditions to be satisfactory for existing and potential development of the subject and assume no responsibility in this respect. Land areas are based on information provided by Tax Office records and other sources and are assumed to be correct.
4. **Relied Upon Information** – Information provided by informed local sources, such as governmental agencies, financial institutions, Realtors, buyers, sellers, property owners and others, was weighed in the light in which it was supplied and checked by secondary means when appropriate. It is believed that the information obtained from these and other sources is true and correct.
5. **Maps** – Any maps or plans reproduced and included in this report are intended only for the purpose of showing spatial relationships. They are not necessarily measured surveys or measured maps and we are not responsible for cartographic or surveying errors.
6. **Possession of this 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 appraisers and then only in its entirety.
7. **The report does not imply** the right of court testimony on the part of the appraisers, without additional arrangements.
8. **Disclosure of the contents** of this study is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this study (especially any conclusions as to value, the identity of the appraisers or the firm with 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 other public means of communication, without the prior consent and approval of the appraisers.

9. **Disclosure to Institute** – The contents of this report are subject to the review, upon request of the Appraisal Institute, by duly constituted committees of the Institute or individual members thereof when such committees or members are acting within the scope of their authority under the By-Laws and Regulations of the Institute. This requirement was adopted by the Institute to facilitate the Institute's efforts to maintain the high standards of professional practice and ethical conduct that have been the hallmark of the Institute since its creation.
10. **Toxic Wastes and Hazardous Materials** – The existence of toxic wastes and/or other hazardous materials, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as toxic wastes, 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 value conclusions shown in this report assume that there are no toxic wastes and/or hazardous materials affecting the subject property.
11. **Partial Interests** – It is noted that analyses contained in this report involve a partial interest in the real estate involved. The value of this partial interest plus the value of all other partial interests may or may not equal the value of the entire fee simple interest considered as a whole.

SPECIAL LIMITING CONDITIONS AND ASSUMPTIONS

NONE

LEGAL DESCRIPTION OF THE SUBJECT PROPERTY
Taken From the Lease for Apt. 224 Dated January 1, 1979

EXHIBIT A

That certain Parcel of land being portion of Royal Patent 1175, Land Commission Award 6499 to Nakoclua and Portion of Land Patent 8204, Land Commission Award 962, Apana 1 to J. Armas, situate at Kainche and Moanui, Lahaina, Island and County of Maui, State of Hawaii, described as follows:

Beginning at a pipe at the South corner of this lot, the West corner of Lot 1, and on the Northeast side of Lot 3, the coordinates of said point of beginning referred to Government Survey Triangulation Station "Laina" being 5954.64 feet South and 5213.44 feet West, and running thence by azimuths measured clockwise from true South:

1. 144° 19' 30" 0.61 feet along the Northeast side of Lot 3 to a pipe;
2. 143° 32' 00" 113.96 feet along same to a pipe;
3. 243° 16' 00" 120.94 feet along Royal Patent 5596, Land Commission Award 6498, Apana 2 to Kokio to a pipe;
4. 245° 29' 00" 296.32 feet along same to a pipe;
5. 194° 17' 00" 20.30 feet along same to a pipe;
6. 216° 45' 00" 19.86 feet along same to a pipe;
7. 337° 30' 00" 24.33 feet along Royal Patent 3581, Land Commission Award 11086, Apana 3 to J. A. Kaiheekai to a pipe;
8. 64° 47' 00" 14.88 feet along Royal Patent 8396, Land Commission Award 8559-B, Apana 1 to W. C. Lunalilo to a pipe;
9. 343° 33' 00" 109.93 feet along same to a pipe;
10. 66° 22' 00" 15.60 feet along same to a pipe;
11. 337° 35' 00" 117.60 feet along same along Land Patent 8146, Land Commission Award 7716, Apana 11 to R. Keliikolani to a pipe;

12. 62° 55' 00" 206.80 feet along Royal Patent 605, Land Commission Award 650 and 6755 to Wahinepio to a cut on concrete;
13. 153° 01' 00" 6.97 feet along same to a pipe;
14. 62° 33' 00" 3.49 feet along same to a pipe;
15. 144° 19' 30" 115.17 feet along Lot 1 to a pipe;
16. 62° 30' 00" 139.00 feet along same to the point of beginning and containing an area of 73,517 square feet, more or less, as shown on Bishop Estate Map No. 583A.

SUBJECT, HOWEVER, TO:

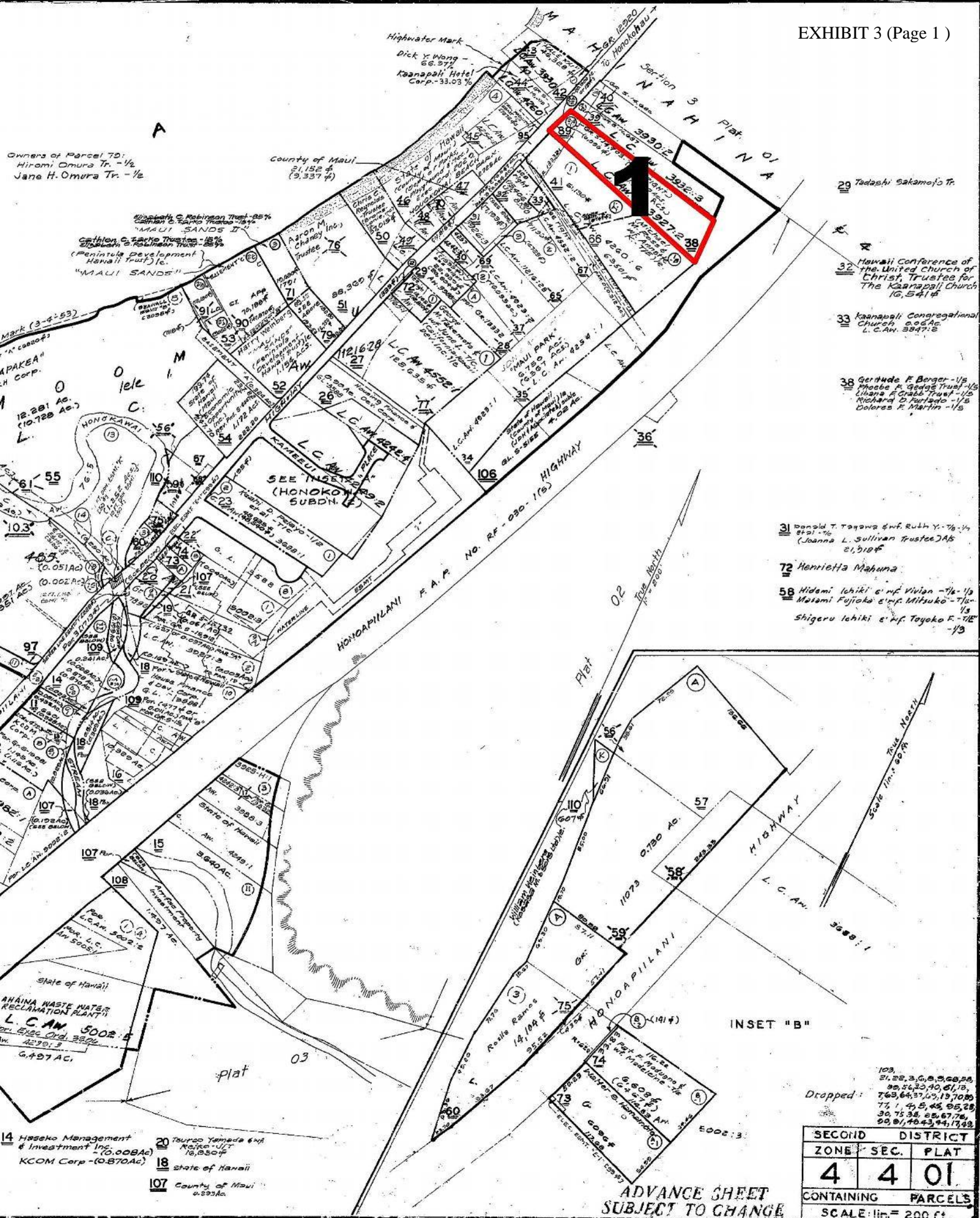
Reservation in favor of the State of Hawaii of all mineral and metallic mines.

Condominium Map No. 516, filed in the Bureau of Conveyances, State of Hawaii.

Covenants, conditions, restrictions, reservations, agreements, obligations, provisions, easements and by-laws set forth in the Declaration of Horizontal Property Regime dated October 4, 1977, recorded October 12, 1977, in the Bureau of Conveyances, State of Hawaii, in Book 12484, Page 657.

An easement for utility purposes in favor of Maui Electric Company, a Hawaii corporation dated July 3, 1978, recorded July 27, 1978, in the Bureau of Conveyances, State of Hawaii, in Book 13038, Page 438.

END OF EXHIBIT A



Owners of Parcel 70:
Hironi Omura Tr. - 1/2
Jane H. Omura Tr. - 1/2

Winiwini C. Robinson Trust - 25%
William C. Sakano Trust - 25%
"MAUI SANDS II"
Carlton C. Finkbe Trust - 25%
Peninsula Development
Hawaii Trust - 10%
"MAUI SANDS"

Mark (3-9-53)
"A" 6000 sq ft
"APAKEA"
L.H. Corp.
12,281 Ac.
(10,728 Ac.)
HONOKAWAI
56'

10.3
(0.051 Ac.)
(0.002 Ac.)

107
(0.102 Ac.)
(0.038 Ac.)
108
(0.102 Ac.)
(0.038 Ac.)

State of Hawaii
ANAHINA WASTE WATER
RECLAMATION PLANT
L.C.A.M. 5002:5
or Exec. Ord. 3890
42701.3
6,497 Ac.

- 14 Haseko Management & Investment Inc. (0.870 Ac.) KCOM Corp. (0.870 Ac.)
- 20 Teurao Yamada and Naika U/T 18,850 sq ft
- 18 State of Hawaii
- 107 County of Maui 0.293 Ac.

- 29 Tadashi Sakamoto Tr.
- 32 Hawaii Conference of the United Church of Christ, Trustee for The Kaanapali Church 10,541 sq ft
- 33 Kaanapali Congregational Church 605 Ac. L.C.A.M. 5847:5
- 38 Gertrude F. Berger - 1/2 Phoebe F. Gedge Trust - 1/2 Liliana F. Gedge Trust - 1/2 Richard D. Farjago - 1/2 Colesia F. Martin - 1/2
- 31 Donald T. Tagawa and Ruth Y. Tagawa (Joanna L. Sullivan Trustee) 21,510 sq ft
- 72 Henrietta Mahuna
- 58 Hidemi Ichiki and Vivian - 1/2 Masami Fujioka and Mitsuko - 1/2 Shigeru Ichiki and Toyoko F. - 1/2

Dropped:
103, 21, 22, 3, 6, 8, 9, 30, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

SECOND DISTRICT		
ZONE	SEC.	PLAT
4	4	01
CONTAINING PARCELS		
SCALE 1 in. = 200 ft.		

ADVANCE SHEET
SUBJECT TO CHANGE

Transaction No. 1

Property Data:

Tax Map Key: 4-4-01-38 (Second Division)
 Location: 3676 Lower Honoapiilani Road, Honokowai, Maui, Hawaii
 Land Area: 75,801 sq. ft. (1.740 acre)

Zoning: A-2, Apartment District
 Transaction Type: Ground Rent Renegotiation
 Transaction Date: Effective October 1, 2017
 Recorded: Not recorded
 Lessors: Libana F. Crabb Grandchildren Trust et al.
 Lessees: Individual leasehold apartment owners

Transaction Data:

Renegotiated Ground Rent: \$284,986 /year
 Land Rate of Return: ÷ 8.0%
 Indicated Land Value: \$3,562,325

Indicated Unit Rate: \$47 per square foot
 (\$3,562,325 ÷ 75,801 sq. ft.)

Comments:

Details of this transaction were verified with Keslie Hui of Monarch Properties, Inc. (representatives of the Lessees). According to Mr. Hui, the Lessors and Lessees (represented by the AOA) reached an agreement on the annual rental for the 10 year period from October 1, 2017 through September 30, 2027 of \$284,986 per year. The lessor considered the rent to reflect an 8.0% rate of return on a fee simple land value of \$47 per sq. ft. Mr. Hui considered the rent to be reflective of a 7.0% rate of return.

The ground lease provides that renegotiated rent be based on "...the current market value of said land comprising the whole site of the project, exclusive of all improvements thereon and assuming the same use and density to which said land is put; The then prevailing rate of return for similar land under the assumption listed above, but in no event less than 7%, shall be applied to said market value to determine the total annual rent of said land;..."

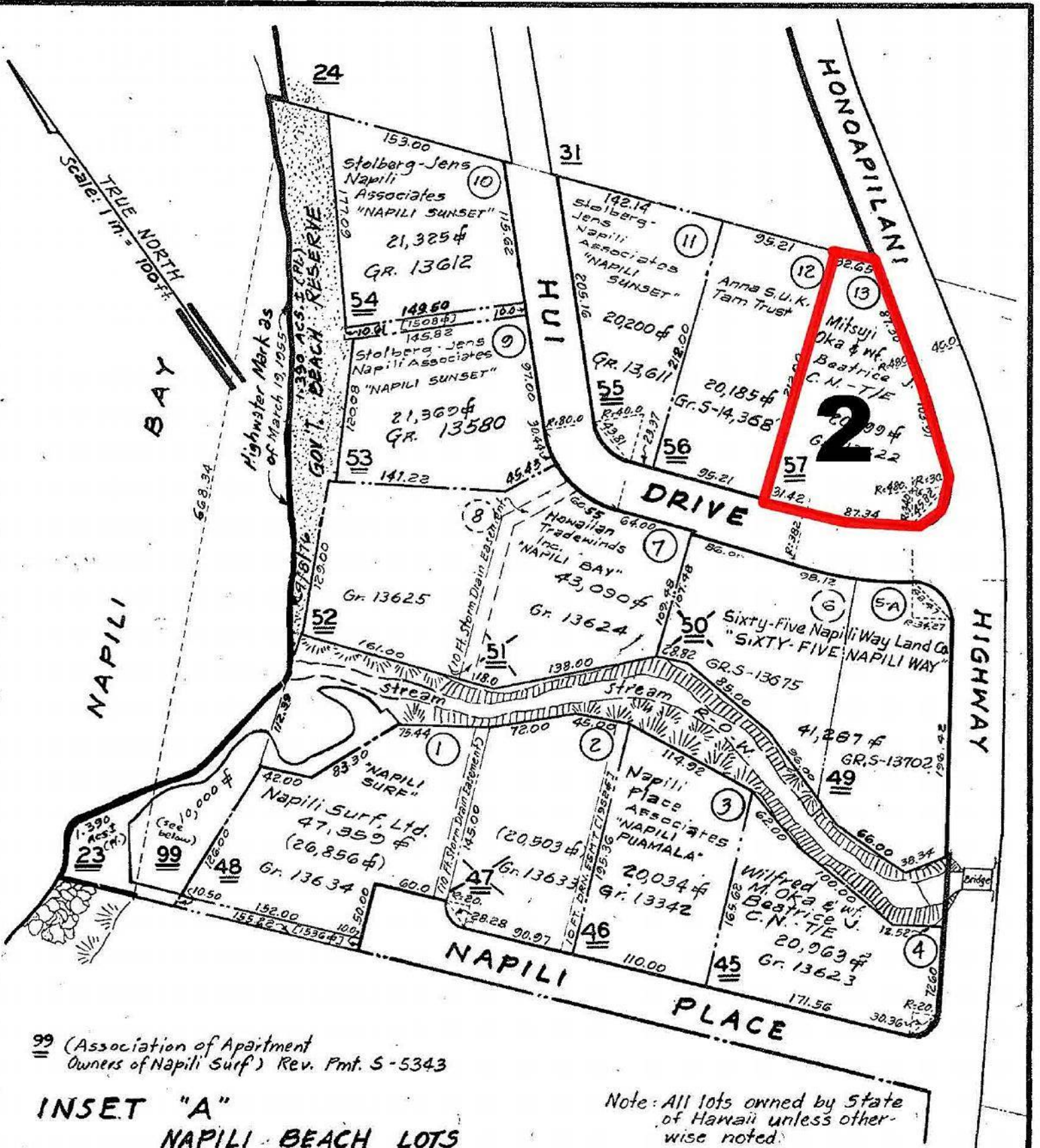
The land is improved with West Maui Trades (fka Honokowai Sunrise) condominium that contains 96 residential apartments (all 2 bedroom/ 1 bath units) with a total apartment area (including lanais) of 63,224 sq. ft. (average of 659 sq. ft./unit). The existing density appears to be the maximum allowable under the current zoning.

The project is on the mauka side of the road and has no ocean views. A public beach park is located across Lower Honoapiilani Road.

Ground rent for the property was previously set by agreement of the parties in October 2007 at \$351,700 per year reflecting \$58 per sq. ft. of land area. It is noted that the 2017 rent and land value reflect a decrease of 19 percent relative to the rent set in 2007.

Analysis of the transaction follows:

	<u>Per Zoning Code</u>	<u>Actual</u>
Maximum Bldg. Floor Area Per Zoning Code (75,801 sq. ft. x 90%)	68,221 sq. ft.	
Less Common Area at 17.5%	<u>-11,939 sq. ft.</u>	
Estimated Allowable Salable Apt. Area	56,282 sq. ft.	<u>63,224 sq. ft.</u>
Fee Simple Land Value	\$3,562,325	\$3,562,325
Allowable Salable Apt. Area	÷ <u>56,282 sq. ft.</u>	÷ <u>63,224 sq. ft.</u>
Indicated Unit Rate:	\$63.29 / sq. ft. of salable apt. area	\$56.34 / sq. ft. of actual apt. area
Fee Simple Land Value	\$3,562,325	\$3,562,325
Estimated Allowable No. of Apartments (56,282 sq. ft. ÷ 800 sq. ft./unit)	÷ <u>70 apts.</u>	÷ <u>96 actual apts. (avg: 659 sf)</u>
Indicated Unit Rate	\$50,890 /apt.	\$37,108 /apt



99 (Association of Apartment Owners of Napili Surf) Rev. Pmt. S-5343

INSET "A"
NAPILI BEACH LOTS

Note: All lots owned by State of Hawaii unless otherwise noted.

SECOND DISTRICT	
ZONE	SEC. PLAT
4	3 02

FOR MAILEPAI HUI LANDS, KAA NAPAL CONTAINING PARCELS

Transaction No. 2

Property Data:

Tax Map Key: 4-3-02-57 (Second Division)
 Location: 5385 Lower Honoapiilani Road & Hui Drive, Napili, Lahaina, Maui, Hawaii
 Land Area: 20,899 sq. ft. (0.480 acre)

Zoning: NBCID, Napili Bay Civic Improvement District

Transaction Data:

Transaction Type: Warranty Deed
 Transaction Date: June 26, 2017
 Recorded: Doc. No. A-64460356
 Grantor: John Richard Philip Livingston & Heather Sandra McGregor, Trustees
 Grantee: Napili Beach House LLC

Transaction Price: \$1,200,000 (cash to seller)

Indicated Unit Rate: \$57 per square foot
 (\$1,200,000 ÷ 20,899 sq. ft.)

Comments:

Details of this transaction were verified with Van Fischer, the agent representing the buyer. According to Mr. Fischer, the property was not on the market prior to the transaction but the sale represents an arm's length transaction involving cash to the seller.

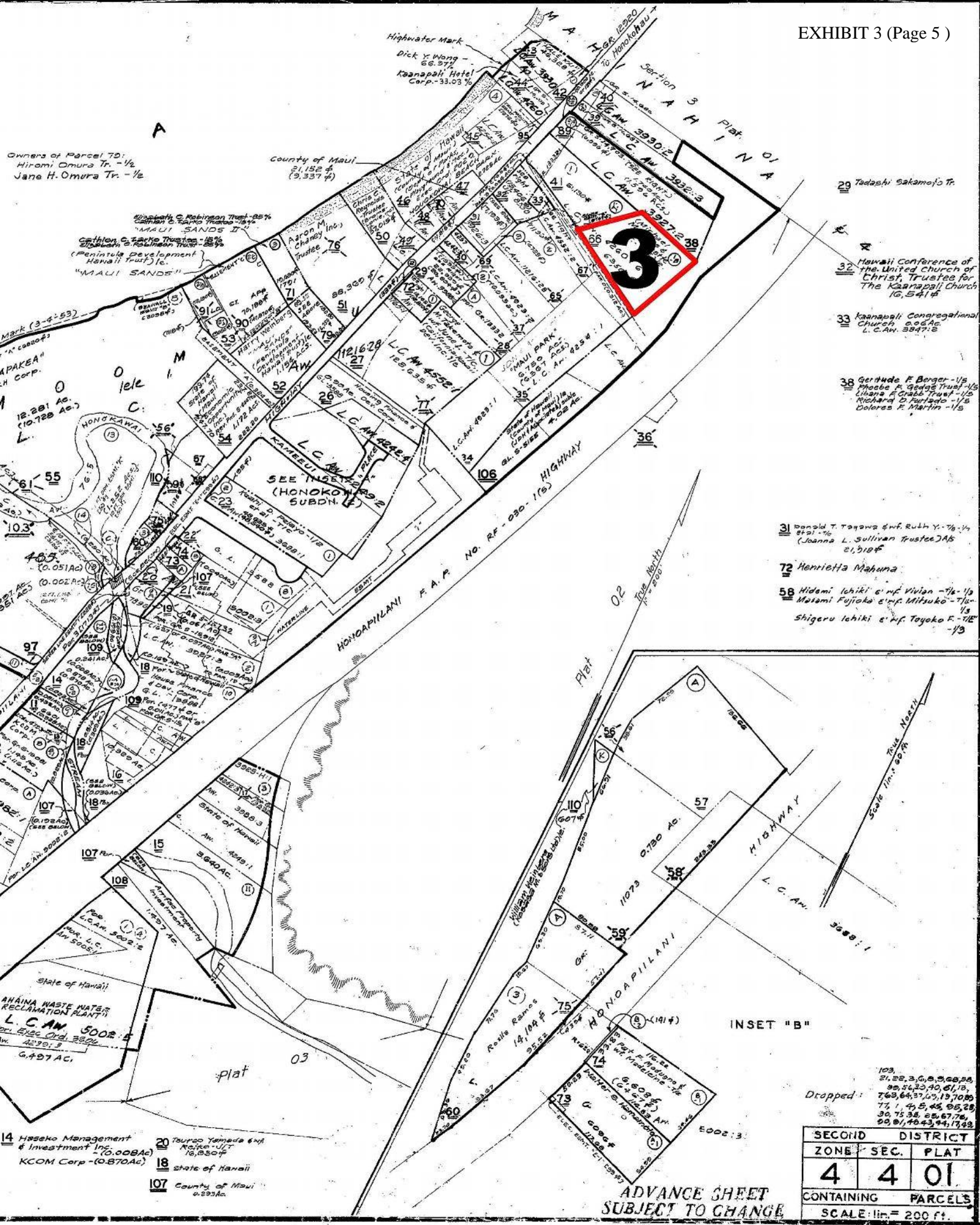
The land was acquired for construction with two to three dwellings for vacation rental use.

The land is fairly level to gently sloping. There is a beach right-of-way located along Hui Drive.

The property previously sold in June 2014 for \$725,000.

Analysis of the transaction follows:

	<u>Per Zoning Code</u>
Maximum Bldg. Floor Area Per Zoning Code (20,899 sq. ft. x 50%)	10,450 sq. ft.
Less Common Area at 17.5%	<u>-1,829 sq. ft.</u>
Estimated Allowable Salable Apt. Area	<u>8,621 sq. ft.</u>
Fee Simple Land Value	\$1,200,000
Allowable Salable Apartment Area	÷ <u>8,621 sq. ft.</u>
Indicated Unit Rate	\$139 / sq. ft. of salable apt. area
Fee Simple Land Value	\$1,200,000
Estimated Allowable No. of Apartments (8,621 sq. ft. ÷ 800 sq. ft./unit)	÷ <u>11 apts.</u>
Indicated Unit Rate	\$109,091 /apt.



- 29 Tadashi Sakamoto Tr.
- 32 Hawaii Conference of the United Church of Christ, Trustee for The Kaanapali Church 10,541 ft
- 33 Kaanapali Congregational Church 605 Ac. L.C.A.M. 5847:5
- 38 Gertrude F. Berger - 1/5 Phoebe F. Gedge Trust - 1/5 Liliana F. Crabb Trust - 1/5 Richard D. Farjago - 1/5 Colesia F. Martin - 1/5
- 31 Donald T. Tagawa & wife Ruth Y. - 1/2 1/2 (Joanna L. Sullivan Trustee) 21,510 ft
- 72 Henrietta Mahuna
- 58 Hidemi Ichiki & wife Vivian - 1/2 1/2 Masami Fujioka & wife Mitsuko - 1/2 Shigeru Ichiki & wife Toyoko F. - 1/2

Dropped:
 103, 21, 22, 3, 6, 8, 9, 30, 35, 36, 54, 30, 40, 61, 10, 76, 64, 37, 47, 19, 70, 80, 77, 1, 4, 5, 45, 85, 28, 30, 75, 38, 25, 67, 76, 99, 81, 48, 43, 84, 19, 98

SECOND DISTRICT	
ZONE	SEC. PLAT
4	4 01
CONTAINING PARCELS	
SCALE 1 in. = 200 ft.	

ADVANCE SHEET
 SUBJECT TO CHANGE

Owners of Parcel 70:
 Hironi Omura Tr. - 1/2
 Jane H. Omura Tr. - 1/2

Windsor C. Robinson Trust - 25%
 William C. Sarno Trust - 25%
 "MAUI SANDS II"
 Carlton C. Farnham Trust - 15%
 (Peninsula Development Hawaii Trust) 10%
 "MAUI SANDS"

Mark (3-9-53)
 "A" 6000 ft
 "APAKEA"
 L.H. Corp.
 12,281 Ac.
 (10,728 Ac.)

103
 (0.051 Ac.)
 (0.002 Ac.)

107
 (0.102 Ac.)
 (See 6008:3)

State of Hawaii
 ANAHINA WASTE WATER RECLAMATION PLANT
 L.C.A.M. 5002:5
 or Exec. Ord. 3890
 42,901.3
 6,497 Ac.

- 14 Haseko Management & Investment 172,008 Ac. KCOM Corp. - (0.870 Ac.)
- 20 Teurao Yamada & wife Naika - 1/2 1/2 16,850 ft
- 18 State of Hawaii
- 107 County of Maui 0.293 Ac.

Transaction No. 3

Property Data:

Tax Map Key: 4-4-01-66 (Second Division)
 Location: 3660 Lower Honoapiilani Road, Honokowai, Maui, Hawaii
 Land Area: 63,501 sq. ft. (1.458 acre)

Zoning: A-2, Apartment District
 Transaction Type: Ground Rent Renegotiation
 Transaction Date: Effective March 1, 2017
 Recorded: Not recorded
 Lessor: FDT, LLC (18 units)
 Lessees: Individual leasehold apartment owners (18 units)

Transaction Data:

Renegotiated Ground Rent: \$199,962 /year
 Land Rate of Return: ÷ 7.0%
 Indicated Land Value: \$2,856,600

Indicated Unit Rate: \$45 per square foot
 (\$2,856,600 ÷ 63,501 sq. ft.)

Comments:

Details of this transaction were verified with Ted Yamamura, SRA, an appraiser knowledgeable of the transaction. According to Mr. Yamamura, the transaction involves the renegotiation of ground rent by agreement of the parties for the 15 year period from March 1, 2017 through February 29, 2032. Rent was set at \$199,962 per year based on a 7% land rate of return.

The ground lease provides that "...Whenever this lease provides that the annual rent shall be determined by appraisal, such shall be determined by an appraiser or appraisers...who shall ascertain the fair market value of the premises as of the commencement of the period for which the rent is sought to be determined, and multiply the value so ascertained by the then generally prevailing net percentage rate of rental return enjoyed by owners of land in Maui bearing comparable characteristics and possessing similar amenities, but which rate of return shall not be less than seven per cent (7%) per annum...provided, however, said rent...shall in no event be less than the rent for the immediately preceding period. In ascertaining the fair market value of the demised premises, the appraiser or appraisers shall assume for purposes of the appraisal that said premises, enhanced by street improvements (other than those paid for by Lessee through improvement district assessments), contributing benefits, betterments and other related economic influences and value factors, are vacant of all buildings, unencumbered by lease or the subsistence of any right to or interest in said premises in a person other than the Lessor, and available for immediate development and utilization to the then highest and best use therefor..."

The land is improved with Honokowai East condominium that contains 51 residential apartments (42 studio units, 1 one bedroom unit and 8 two bedroom units) bedroom/ 1 bath units) with a total apartment area of 24,529 sq. ft. (average of 481 sq. ft./unit).

The project is off of the road on the mauka side of Lower Honoapiilani Road and has no ocean views. A public beach park is located across Lower Honoapiilani Road.

Analysis of the transaction follows:

	<u>Per Zoning Code</u>	<u>Actual</u>
Maximum Bldg. Floor Area Per Zoning Code (63,501 sq. ft. x 90%)	57,151 sq. ft.	
Less Common Area at 17.5%	<u>-10,001 sq. ft.</u>	
Estimated Allowable Salable Apt. Area	47,149 sq. ft.	<u>24,529 sq. ft.</u>
Fee Simple Land Value	\$2,856,600	\$2,856,600
Allowable Salable Apt. Area	÷ <u>47,149 sq. ft.</u>	÷ <u>24,529 sq. ft.</u>
Indicated Unit Rate:	\$61 / sq. ft. of salable apt. area	\$116 / sq. ft. of actual apt. area
Fee Simple Land Value	\$2,856,600	\$2,856,600
Estimated Allowable No. of Apartments (47,149 sq. ft. ÷ 800 sq. ft./unit)	÷ <u>59 apts.</u>	÷ <u>51 actual apts. (avg: 481 sf)</u>
Indicated Unit Rate	\$48,417 /apt.	\$56,012 /apt

Transaction No. 4

Property Data:

Tax Map Key: 4-3-02-45 (Second Division)
 Location: 5335 Lower Honoapiilani Road & Napili Place, Napili, Lahaina, Maui, Hawaii
 Land Area: 20,963 sq. ft. (0.481 acre)

Zoning: NBCID, Napili Bay Civic Improvement District

Transaction Data:

Transaction Type: Warranty Deed
 Transaction Date: October 9, 2015
 Recorded: Doc. No. A-57710165
 Grantor: Scott Antone Swoboda
 Grantee: VIP Retreats, LLC

Transaction Price: \$975,000 (cash to seller)

Indicated Unit Rate: \$47 per square foot
 (\$975,000 ÷ 20,963 sq. ft.)

Comments:

Details of this transaction were verified with William Moffett, the agent representing the seller. According to Mr. Moffett, this was an arm's length transaction involving cash to the seller.

The land was acquired for development with a two unit vacation rental property to include a 6 bed/6 bath (plus 2 half bath) dwelling (4,901 sq. ft.) and a 4 bed/3 bath dwelling (1,372 sq. ft.).

The land is fairly level to gently sloping. There is a beach right-of-way located at the end of Napili Place.

The property previously sold in January 2005 for \$1,200,000.

Analysis of the transaction follows:

	<u>Per Zoning Code</u>
Maximum Bldg. Floor Area Per Zoning Code (20,963 sq. ft. x 50%)	10,482 sq. ft.
Less Common Area at 17.5%	<u>-1,834 sq. ft.</u>
Estimated Allowable Salable Apt. Area	<u>8,647 sq. ft.</u>
Fee Simple Land Value	\$975,000
Allowable Salable Apartment Area	÷ <u>8,647 sq. ft.</u>
Indicated Unit Rate	\$113 / sq. ft. of salable apt. area
Fee Simple Land Value	\$975,000
Estimated Allowable No. of Apartments (8,647 sq. ft. ÷ 800 sq. ft./unit)	÷ <u>11 apts.</u>
Indicated Unit Rate	\$88,636 /apt.

QUALIFICATIONS OF JAN R. MEDUSKY, MAI, CRE

President, Medusky & Co., Inc., Real Estate Consultants
Queen's Court, Suite 404, 800 Bethel Street, Honolulu, Hawaii

President (1990-1994), Cowell & Co., Inc.

Licensed Real Estate Broker, State of Hawaii
(License No. RB-16915)

Member, Appraisal Institute (MAI), Hawaii Chapter
(Certificate No. 7313)

Past President, American Institute of Real Estate Appraisers
Honolulu Chapter No. 15

Member, The Counselors of Real Estate (CRE)
(Certificate No. 2560)

Past Chapter Chair, The Counselors of Real Estate Hawaii Chapter

Hawaii State Certified General Appraiser (CGA-17)

EDUCATION

Culver Military Academy, Culver, Indiana. Graduated with honors, 1964-1968.

Bachelor of Science Degree, U.S. Military Academy, West Point, New York, 1968-1972.

University of Hawaii, Graduate courses in Business and Economics, 1975-1976.

Master of Business Administration Degree, Chaminade University of Honolulu, 1980.

SPECIAL COURSES

Graduate Real Estate Institute, Courses I and II, Honolulu, 1979.

Stapleton School of Real Estate, Sales Licensing Course, Honolulu, 1979.

Credit for various American Institute of Real Estate Appraisal Courses.

Instructor for various seminars/classes regarding real estate valuation.

MILITARY

Captain, U.S. Army, 1972-1978. Held various positions including Commander, Air Defense Artillery Battery and Special Staff Officer, 25th Infantry Division General Staff, Schofield Barracks, Hawaii.

EXPERIENCE

Engaged in real estate consultation and valuation throughout the Pacific Basin since 1979. Geographical areas covered include the four counties of the State of Hawaii, the Territory of Guam, the Federated States of Micronesia, Republic of the Marshall Islands, Republic of Palau, Saipan, American Samoa and selected locations on the West Coast of the United States Mainland.

Specializes in valuation for litigation purposes, tax appeals, leased fee conversions, arbitrations and rent renegotiations.

QUALIFICATIONS OF EDWARD W. BECKER, MAI

Real Estate Appraiser, Medusky & Co., Inc., Real Estate Consultants
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EDUCATION

Bachelor of Arts Degree
University of Hawaii at Manoa, Honolulu, Hawaii
Political Science Major

SPECIAL COURSES

State Certification Courses

Appraising the Single Family Residence
Foundations of Real Estate Appraisal
Real Estate Appraisal Methods
Uniform Standards of Professional Appraisal Practice

Appraisal Institute Courses

550 – Advanced Applications
540 – Report Writing and Valuation Analysis
530 – Advanced Sales Comparison and Cost Approaches
520 – Highest & Best Use and Market Analysis
510 – Advanced Income Capitalization
430 – Standards of Professional Practice, Part C
420 – Standards of Professional Practice, Part B
410 – Standards of Professional Practice, Part A

Appraisal Institute Seminars/Programs

An Introduction to Valuing Commercial Green Buildings
Business Practices and Ethics
Eminent Domain and Condemnation Appraising
Feasibility, Market Value, Investment Timing: Option Value
FHA and the Appraisal Process
New Industrial Valuation
Review Theory – General
Site Use and Valuation Analysis
Small Hotel/Motel Valuation
The Appraiser as an Expert Witness: Preparation and Testimony
Uniform Appraisal Standards for Federal Land Acquisitions

University of Hawaii at Manoa, Small Business Management Program, Real Estate Licensing Course

EXPERIENCE

Engaged in real estate consultation and valuation since 1993. Geographic areas covered include the four counties of the State of Hawaii, the Republic of the Marshall Islands, Republic of Korea and American Samoa. Property types include agricultural, industrial, office, preservation, residential, resort, shopping center, subdivision and various other property types.