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Studies*

Research

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February 20, 2008

Over the past 40 years, working with a host of clients both in the Private and Public sector as well as its own proprietary data, SMS has built a wealth of knowledge in every industry.

With the depth of our professional expertise and our commitment to providing clients the “intelligence” they need to maximize their profits we created the SMSD-Model, an approach to quantifying potential, that is applicable to any industry. The model is a unique means of combining multiple sources of data to achieve a specific intelligence goal.

With the changing economic environment we are facing in 2008 we thought you might appreciate a glimpse of how our model approaches the demand element of the business strategy. Since construction and housing are currently very hot topics, we thought it would be a good industry to use as a demonstration.

The SMSD-Model is a valuable starting point. If the market potential news is good then the work has to be done to refine the features and benefits of the product, define and segment the target market, calculate costs and recommend pricing ranges that will make the best profit for the customer.

The hypothetical case (attached) demonstrates the model that combines our ability to reach sound conclusions and reflects our expertise in turning multiple data sources into needed intelligence.

SMS undertakes similar approaches with other business categories, from media consumption to retail, communications, visitor industry and much more.

Please call if you have any questions.

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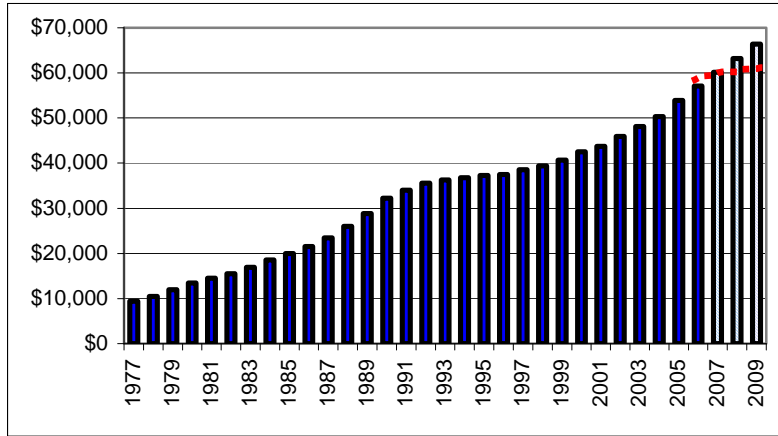
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THE *SMSD*-MODEL®
HELPS *SMS* QUANTIFY REAL ESTATE POTENTIAL

ECONOMIC CONTEXT

Exhibit 1. Hawai'i Gross State Product, Historical and Projected¹



NOTE: Figures are in millions of constant dollars. Data for 2007 through 2009 are forecasted estimates. Source: DBEDT, 2006.

Currently, Hawaii's economy is growing. Relatively slow economic growth is expected for several years (as shown in Exhibit 1). Unemployment is low, well below the national average. An unknown is whether the lack of affordable housing may portend an exodus of young families as seen in the 90s.

SITE DESCRIPTION

Singer Home Builders (SHB) is proposing to develop the Awakea Apartment Homes on approximately 2 acres of land in Kailua, on the windward side of the island of O'ahu. These 128 fee-simple apartments will be constructed in two phases, with a total of 4 buildings completed by March 2010. Planned amenities for the proposed development include secured keycard entry system, trash chute, on-site resident manager, and a recreation building with meeting rooms and full kitchen.

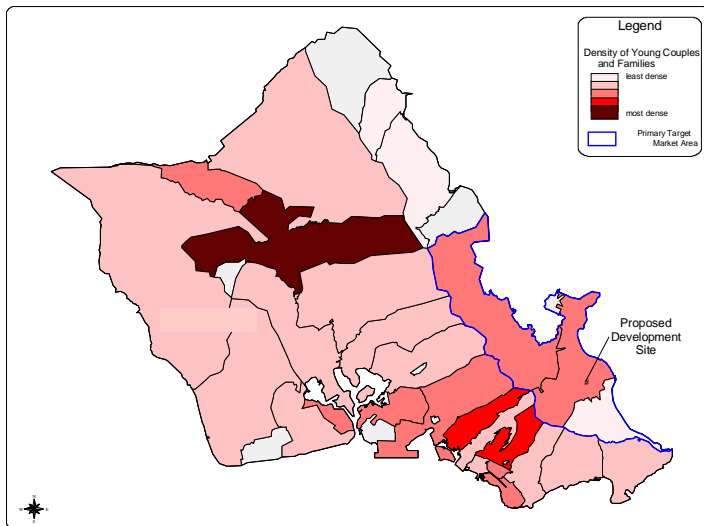
Exhibit 1. Location Map



¹ Some observers of Hawaii's markets have raised questions regarding the forecasted Gross State Product (GSP) values (shown as hashed lines in Exhibit 1). A number of the leading economic indicators (e.g., construction activity, visitor arrivals) suggest that the GSP will continue to rise, but not at the predicted rate. A rate of change similar to that observed between 1991 and 1996 has been proposed as a more realistic estimate (shown by dotted red line in Exhibit 1). Until additional studies have clarified the likely path of Hawaii's GSP, this data should be used with caution.

TARGET MARKET: MODERATE-INCOME HOUSEHOLDS

Exhibit 2. Density of Young Couple/Family Households Earning \$100,000+



The proposed Awakea housing development will be designed around the needs and preferences of those young couples and families currently living on O’ahu. Units will be priced between \$179,500 and \$206,000, making them affordable to more than one-quarter of the nearly 130,000 targeted households island-wide. Of these qualified households, approximately 18 percent reside within the primary target market of the proposed development (Exhibit 2).

PROPOSED PROJECT FEASIBILITY AND DEMAND

Data from the 2006 Housing Policy Study, the most comprehensive longitudinal housing study of its kind, demonstrates both the shortage of units available to this segment of the market, as well as the increasing demand for this type of housing. Additional economic and housing market data lends further support for this evaluation.

Based on Housing Policy Study of 2006, approximately 2,844 units targeting households of the type described will be required between now and 2011. SHB anticipates initial occupancy of their 128 for-sale units in March 2010. The percent of total demand met by the proposed Awakea units will be minimal, only 4.5 percent overall.

Limited housing alternatives on O’ahu for moderate-income families, in conjunction with the project’s highly desirable Central O’ahu location, will almost certainly result in high demand for the proposed units.

RESULT OF THE ANALYSIS

The SMSD-Model® indicates that the absorption rate for this development based on anticipated housing demand, housing production, and other economic factors provides a green light for the developer to proceed.