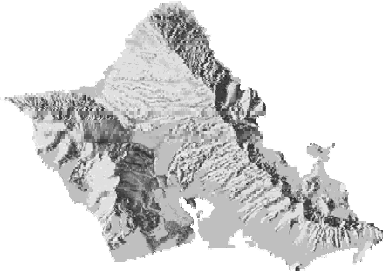
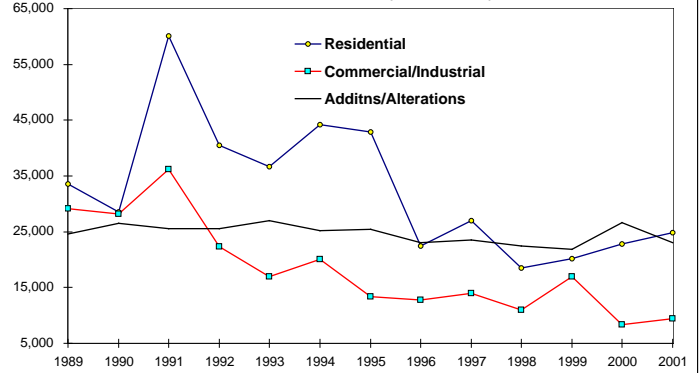


OAHU

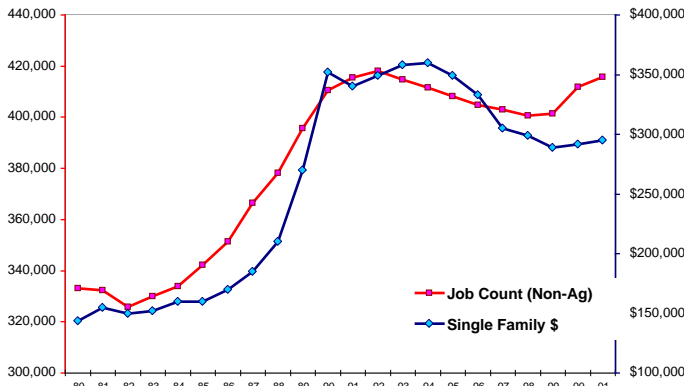
ECONOMIC INDICATORS



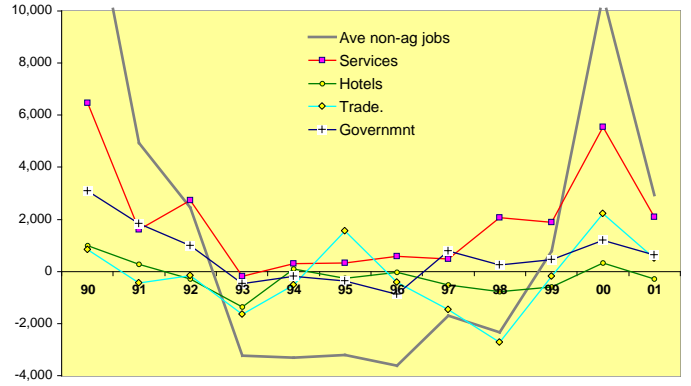
OAHU BUILDING PERMITS (VALUE: \$000)



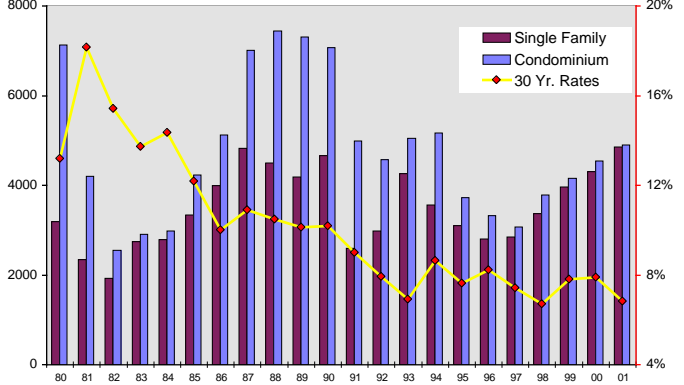
JOB GROWTH Vs. MEDIAN PRICES



JOB COUNT CHANGES BY SECTOR



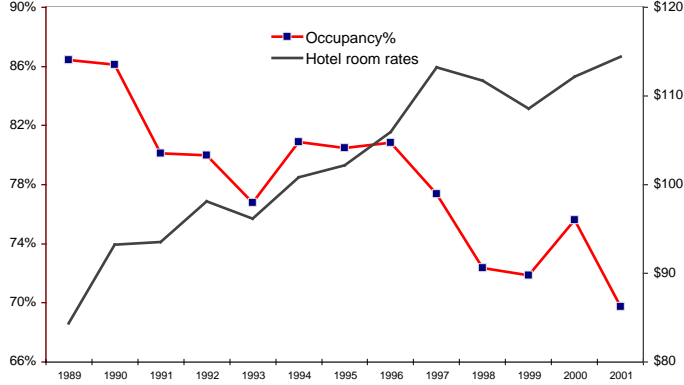
HOME SALES Vs. 30 Yr. MORTGAGE RATES



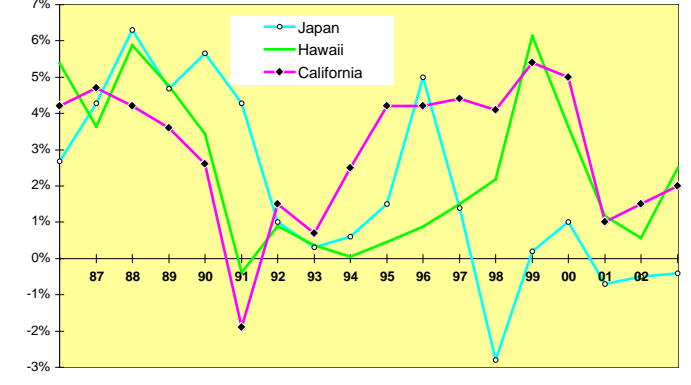
TAX ROLLS Vs. RESIDENTIAL PERMITS VALUES (\$000s)



AVERAGE ROOM RATES & HOTEL OCCUPANCY %



ECONOMIC GROWTH RATES FOR MAJOR VISITOR MARKETS



candidates for experiencing such a slowdown? The properties that sell at the lower price points in the single-family market, as well as the medium priced units in the condominium market, are. The higher price point units in the condo and the single-family market may not feel the slowdown to such an extent.

That said, it bears remembering that this projection could be mitigated by the effect of an economic rebound in 2002 and beyond... as well as by continued low interest rates.

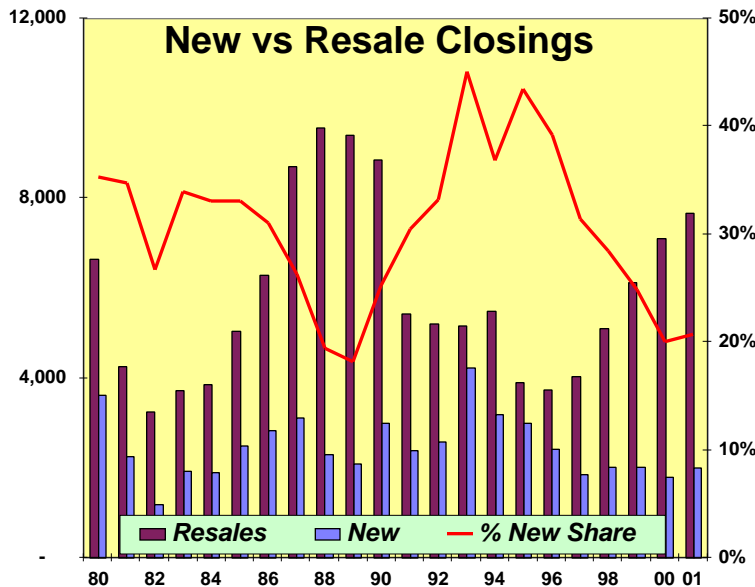
For the real estate overall, we think the activity in sales will slow down initially, with prices remaining steady. For the single family market, the income and job security of the buyers and sellers in this market is traditionally stronger than those in the condominium market. As such, this market should be a bit more stable.

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Case in point is the infill projects in Hawaii Kai and downtown. For example, for the high-rise condominium market, such as Hawaiiiki and Naaru Towers, the developer was able to price his homes about \$200,000+ over market. In addition, single-family market developers have been able to set premiums of \$40,000-\$100,000 over market in the Mililani and Hawaii Kai master planned developments.

PREDICTION

We forecast that the new home market will enjoy at least 1,900 closings in 2002, up by 10% from 2000.



2000. The single family and single-family CPR markets have been the engines behind this growth, overcoming the fall-off in sales in the high-rise condominium market. In addition, the projects in Hawaii Kai should be able to generate good sales for the year.

Going forward, note that the new home market not producing at historical levels (see NEW vs. RESALE CLOSING Chart), this market usually services around 30% (see red line) of the total housing demand for the island, selling one home for every two that are sold in the resale market. Currently, developers are only

servicing 20% of the market. We expect that this might be a further opportunity for new home development. Why? Because housing pressures may have abated in 2001 thanks to the 9/11 attack... but, they haven't been obviated by a downturn in the economy. If economic growth returns next year, as forecasted, then housing needs will again drive demand higher.

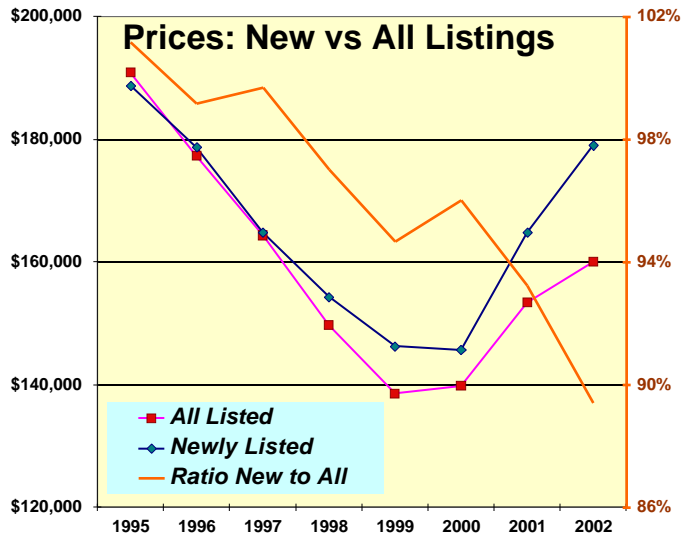
SUMMARY

Up until 9/11, the overall market for residential real estate looked ready to expand in terms of closings, as well as prices. This expectation was underwritten by a growing economy and confident consumers, who had had repaired their finances after the business doldrums of the early and middle part of the last decade.

The market was being pushed upwards by the growth in the single-family market: resales had hit a record number of closings, and new home developers were nearing record closings, as well as prices. The condominium market was growing nicely as well: resale listings were down to near record levels, fee-simple condo sales hit an all-time high last year, and median prices hadn't really started moving upwards yet.

However, the September sneak attack changed that, bringing about island-wide job losses and pay cuts. This started in the visitor industry, but is spreading to other sectors, such as the public sector workers, as well as those in the service sector. As such, we foresee a slowdown in demand in those parts of the market that service these job sectors. Which market segments are

This year, 2002, the trend for January shows that the average median price for new listings coming to market has slowed relative to last year (showing that sellers are being more realistic). In addition, it has also slowed relative to total inventory (all listings). This can be seen in the ratio between newly listed and all listings (orange line): as the prices of new listings fall relative to all listings, the ratio falls. Will buyers take advantage of the 'lower' prices of these newly listed units? It depends on how comfortable they are with their finances.



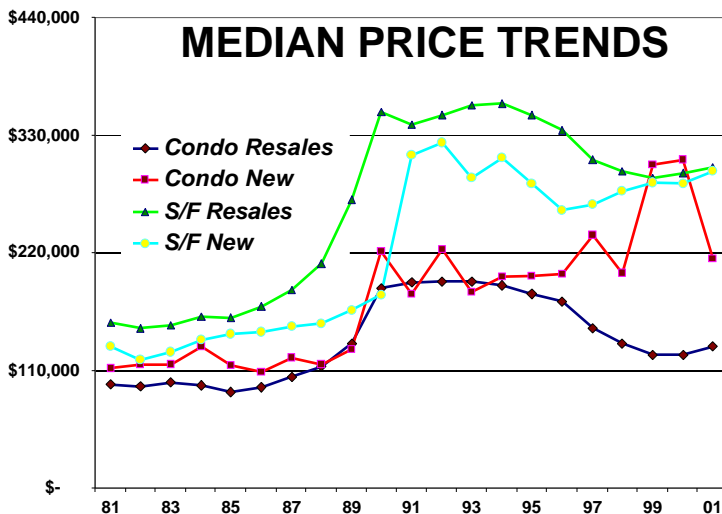
NEW HOMES:

As seen in the table below, the market for new homes on Oahu grew nicely in 2001. For the year 2001, sales are 9% higher, and closings are up 11%, on 2000. Looking ahead, developers enjoyed a great December, in terms of new contracts written. They were up 19% over sales last December (2000), which itself was 20% ahead of 1999's December.

SALES, CLOSINGS, NUMBER OF PROJECTS ONGOING & AVAILABLE UNITS

	1999	2000	2001	% Δ 00	% Δ 01	# Δ 00	# Δ 01
Sales	1,782	1,597	1,740	-10%	9%	-185	143
Closed	1,740	1,454	1,611	-16%	11%	-286	157
Projects	34	32	37	-6%	16%	-2	5
Avails	1,535	760	487	-50%	-36%	-775	-273

Over the last few years, the number of newly built units available for sale has declined dramatically. This is because the development market was saddled with too much inventory and it took some time to work through.



Relative to resale homes, NEW HOME developers have been able to enjoy raising their prices (see MEDIAN PRICE TREND Chart, light blue and pink lines). Why? They have become wisely selective in which market they service, and many are flexible enough to produce higher priced homes for higher income buyers.

MONTHS OF REMAINING INVENTORY (MRI): Like the other supply-side indicators for this market, this one is characteristic of a tight market, with 5.8 months of inventory currently available to buyers. It has been declining for the last 6 years straight, and is currently 74% below the most recent top of the market, 21.7 months set in 1995. Nevertheless, it has risen slightly from the second quarter's level of 4.8 months.

PREDICTION

Here, please refer to the chart entitled "PRICE/SALES TRENDS." The points on the blue line represent the intersection of resales closings and resales median prices for every year since 1978.

As can be seen, the line starts at 1978, when the annual closings were some 7,300 and the median price was \$69,000. The line ends at 2001's unit sales of 4,260 closings and median price of \$133,000.

There are two other call-out boxes inset into the chart: 2001 and 1986. We delineated 1986 because it illustrates a point in the real estate cycle that might relate to the direction the market might move in.

In the case of 1986, the market had undergone four years of growing sales and two years of gently rising prices. Thereafter, the market heated up, and prices rose dramatically. This is a point similar to what was occurring up to and including 2001. Given no special circumstances, it was expected that 2002 would bring higher sales and higher prices.

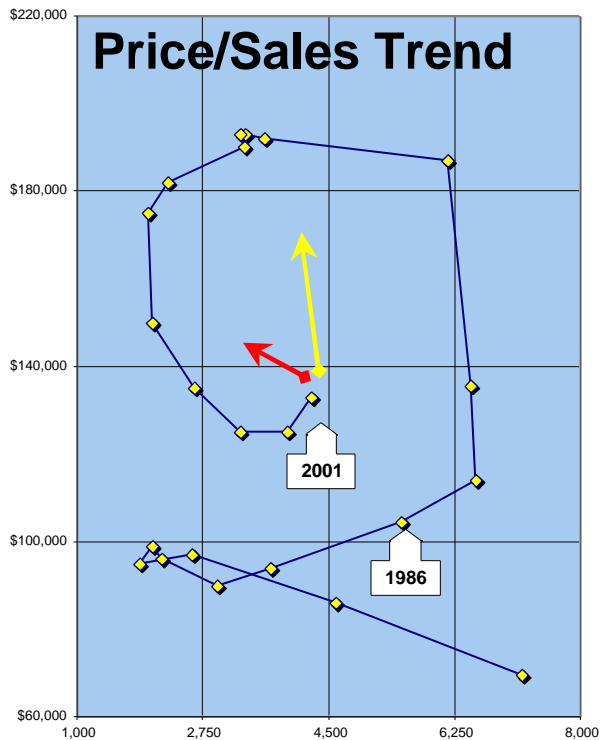
This would have been an easy prediction to make, if the 9/11 sneak attack had not happened. Instead, dramatically curtailed visitor arrivals precipitated widespread job and wage losses in the local economy. Given the some 6,000-10,000 job losses in the coming months, it is easier to predict a slowing market than an increasing one.

In a sense, it is fortunate this happened during a rising market, inasmuch as it will, at the very least, relieve some of the market pressures that had been building over the last few years. On the other hand, at the very most, it could cause demand for condominium housing in some of the larger segments of society to weaken significantly.

If this occurs, the market could jump ahead to the next stage, one characterized by declining sales but also rising prices. The yellow arrow characterizes this condition of rising prices slash slowing sales... and the red arrow characterizes a more dramatic version of this.

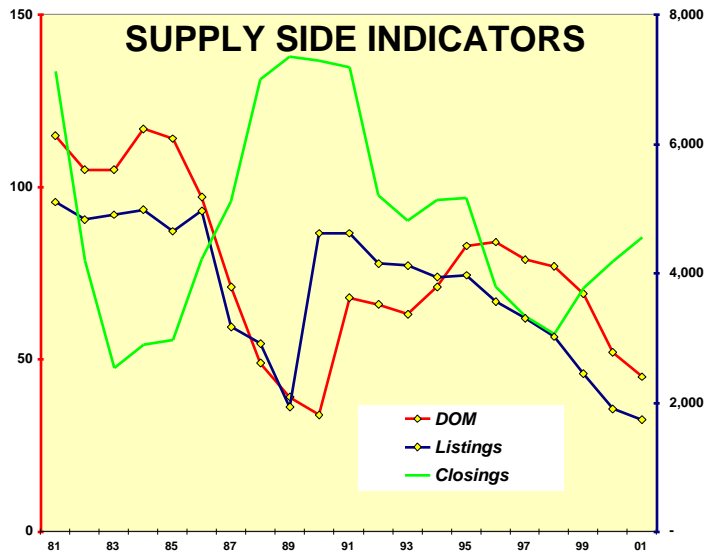
A window into the future is afforded by the next chart, PRICE: NEW vs. ALL LISTINGS.

It compares the median price of the available (all) inventory of listings (pink line) against the median price of the newly available listings (blue line). It shows that the market turned the corner to higher prices last year for new listings and the year before for all listings.



Archer Lane (and to the fact that another one, Harbor Court, was slowed down in order to clarify the leasehold issue).

Finally, regarding the neighborhood components of the resale condo market, median prices rose in every one of them (see MEDIAN PRICE Chart), save for Makiki (yellow line). Salt Lake (green line) went up by 6%, Waikiki (light blue line) by 12.5% and Hawaii Kai by 2%... but Makiki fell 2%. But, given that Makiki's prices had risen each of the last two years, by over 10% overall, a little weakness is understandable.



LISTINGS: The level of condo listings (see SUPPLY SIDE INDICATORS Chart, blue line) at the end of 2001 had fallen to an all-time low: 1,741 units being marketed. The previous record was set last year, with 1,895 units on the market in December 2000.

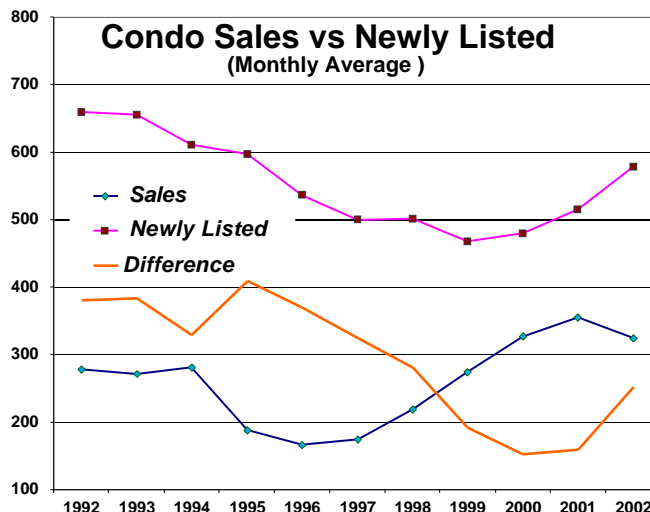
Overall for 2001, listings for condominiums were down by 154 units, or off 7% for the year (as measured from mid-year to mid-year). That is in addition to a drop of 22% and 19% in listings over the two years before 2001. As such, they are off by 62% since

the last peak in 1991... and have fallen every year since 1995.

Looking ahead, we compared the number of new listings (see the CONDO SALES vs. NEWLY LISTED chart, pink line) coming to market with the number of sales (blue line). As seen, the volume of new listings coming into market has continued to grow, while the number of sales (for January 2002 only) has begun to shrink.

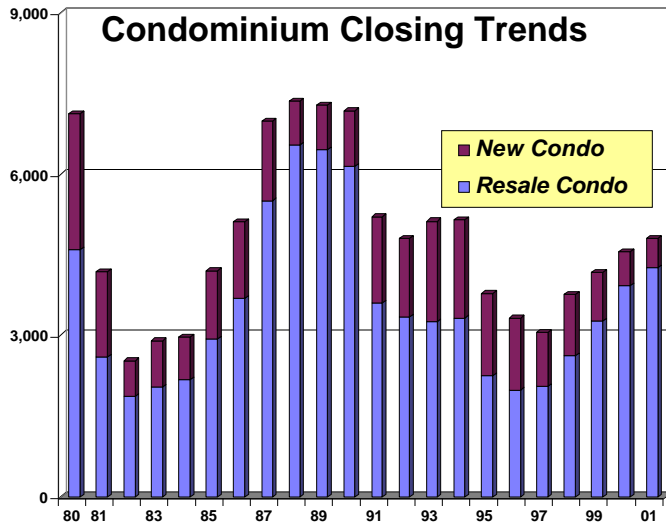
As such, the difference (orange line) – new listings minus sales, or the net addition to the market's inventory – has begun growing sharply. If this trend continues, there will begin a buildup of inventory in the market, which could pressure prices downwards ultimately.

DAYS ON MARKET (DOM): The average time elapsed from listing to contract is currently at 88 days (see SUPPLY SIDE INDICATORS Chart, red line). This is a relatively low reading for this indicator: it is down 66% from 1995's peak for the cycle of 111 days. However, the trend has been reversed this year, with the current level about 10% higher than it was in 2000.

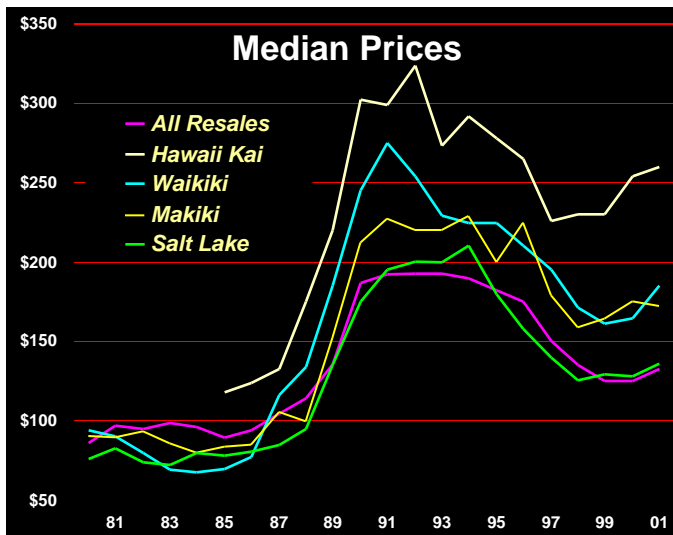


CONDOMINIUMS

CLOSINGS: The total condominium market -- newly built homes and resales -- grew again in 2001, the fourth straight year. Unit sales rose 240 units last year to 4,804 homes (see CONDOMINIUM CLOSING TRENDS Chart), up from 4,564 the year before. This was an increase of 5% -- good growth, indeed -- but half of what it has been the last two years. Nevertheless, it is up from the bottom of the last cycle by 57% (but still way under the last high, by some 35%).



The driving force behind this good performance is the resale market (see light blue bar): total sales were 4,259 homes last year, up 333 units, or 8.5%, from 2000's level of 3,927 homes. There has been five straight years of growth, three of which were over 20%. It now stands 114% above where it was at its last low, set in 1996. The new homes market (see violet bar) has not contributed to this growth at all: it was off by some 90 units from last year, a decrease of 15%. Indeed, condo development is at an all-time low... with the last bottom set back in 1982. The last time the developer's market rose was back in 1998, when it enjoyed sales of 1,150 units.



PRICES: The overall median price of a condominium (derived from sales in both the new homes and the resale market) on Oahu last year came in at \$142,200, 5% lower than they were the year before. Indeed, the median prices for each of these two sub-markets went in different directions in 2001.

Taking the largest component of this market first, the resale market (see MEDIAN PRICE Chart, pink line) saw its median price for 2001 hit \$133,000, up 6.4% from \$125,000 the year before (2000) and the year before that (1999).

This achievement is remarkable in two senses. The first is that the last time that median prices rose was almost ten years ago, 1992. The second is that median prices are back where they were in 1989. Indeed, this long period of declining prices is what has held back developers from producing units for this market.

Next, looking at what happened for developers of new homes market, their median price was about \$215,000 in 2001, off by some 30% from 2000. This fairly dramatic decline in prices was due to close out in 2000 of a number of high priced projects, including Hawaiiki Tower & One

PREDICTION

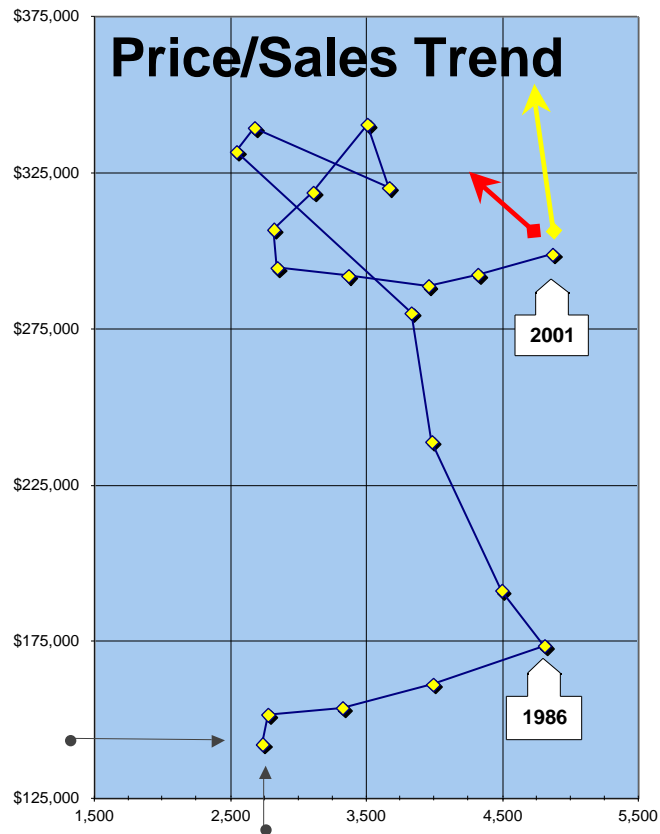
Here, please refer to the chart entitled "SINGLE FAMILY TRENDS." The points on the blue line represent the intersection of closings and prices for every year since 1978 (when the annual single family closings were 2,868 and the median price was \$94,000, per the small gray arrows). There is two call out boxes with the year inset: 1986 and 2001. This is because the market at 2001 could be roughly at the same point in the real estate cycle as it was 1986.

To explain, in 1986, real estate sales had been increasing for four to five years. At the same time, listings and the DOM indicator were falling. As a result, in the ensuing period 1987-1990, prices began to rise... slowly at first, and thereafter picking up speed.

As then, the expectation for 2002 was for prices to begin rising faster (yellow arrow) and closings to begin falling (red arrow).

This would have been an easier prediction to make, if the 9/11 sneak attack had not happened. Given the dramatic fall in visitors from Japan, and the subsequent job and pay cuts in Oahu's visitor industry, it's possible that the real estate cycle will skip a step and go straight to the next stage. This is one characterized by very weak demand. As such, when there are few buyers, the need to sell forces sellers into cutting their prices. Thus, this stage is characterized by lower sales and lower prices.

However, as noted earlier, housing demand has done anything but fall in the last few months. As such, the possibility that 2002 will bring a prolonged period of lower sales and falling prices is still fairly remote.

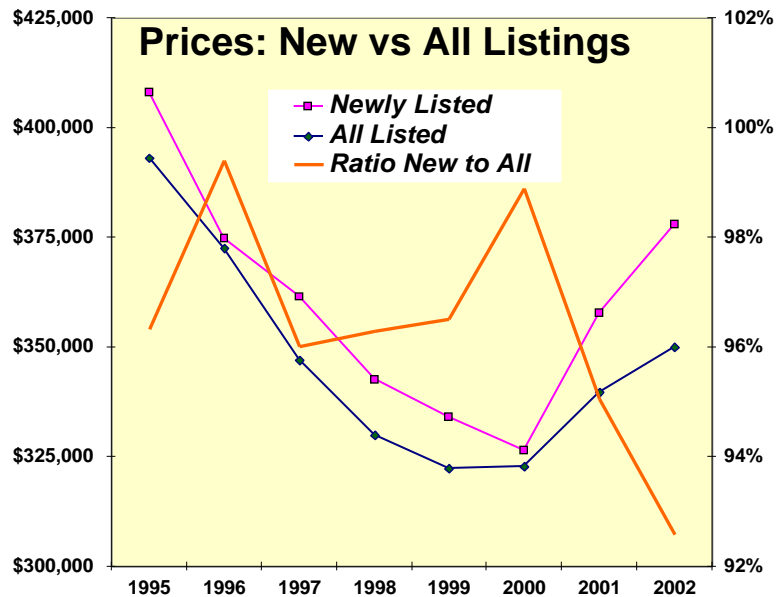


Last year, there were two major external trends pulling at Oahu's real estate market: falling mortgage rates and a weakening economy. While falling mortgage rates make homes more affordable, job losses and pay cuts were making it harder for buyers to purchase homes.

Currently, these two trends may be reversing: mortgage rates have been inching higher, while the effect of job losses may have run its course. Local economists predicted that the current slowdown would result in about a maximum loss of 10,000 jobs. Although significant in number, in relative terms this represents 1.7% of the total employment, statewide (or, if these losses were concentrated all on Oahu, 2.4% of total employment). Currently, DBEDT is predicting that our state economy is looking at 1% growth this year, minus 0.1% next year, and then 2-3% growth in 2003.

Further insight on this is given by looking at how the prices are behaving in the listings inventory (see PRICES: NEW vs. ALL LISTINGS Chart), i.e., a comparison of the median prices for the new listings (pink line) with those of all of the current listings (blue line). As the market slowed during the latter half of the 1990s, the prices of available homes on the market sank, as well. Then, last year, the market turned, and the median prices of both categories of listings rose dramatically. At the same time, the ratio of prices of new listings to prices of all listings sank (orange line), saying that the prices for new listings was falling relative to the prices of all listings.

This year, so far as we see in what the first month shows, this prices are not rising as fast, for both... but more for new listings than for the entire listing inventory. This might indicate that sellers who are just coming into the market are pricing their units more conservatively (by pricing themselves under the rest of the market).



DAYS ON MARKET: Days on Market, the time that a house 'sits on the shelf' before being bought, shrank again this year, going from a median of 52 days in 2000 to 45 days by the end of 2001. This (see the red line, in SUPPLY SIDE TRENDS Chart) is a decrease of some 13%.

The faster that listings become sales, the better the market is for sellers, and this has been happening over the last five years. Last quarter, this indicator was slightly lower, meaning that the time on market has lengthened.

As seen in the SUPPLY SIDE TRENDS chart, Listings and DOM usually move in tandem with one another, and in an opposite direction to the trend in sales activity. For this current period, the rise in the number of sales has pushed listings and DOM to very low levels.

MONTHS OF REMAINING INVENTORY (MRI): MRI relates sales activity to listings so as to indicate whether demand is exhausting supply (a shrinking number, or trend) or supply is overwhelming demand (a growing one).

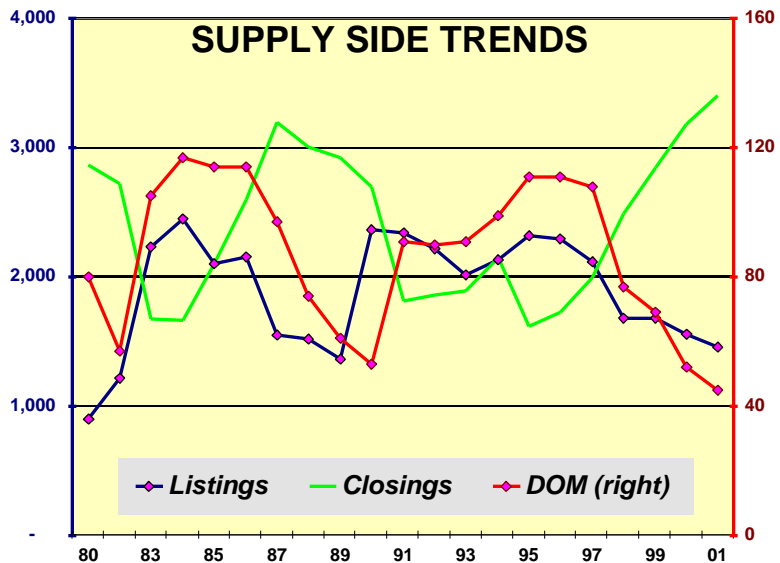
Here, the trend is favoring sellers, as demand continues to show more strength than supply. This indicator fell to 5.7 months at the end of 2001, 3% lower than 2000. Like listings, it has been falling for five years straight.

prices completed their first back-to-back annual rises: 1.7% last year, and the same the year before. The last time that happened was seven years ago, when prices went upwards between 1991-1993.

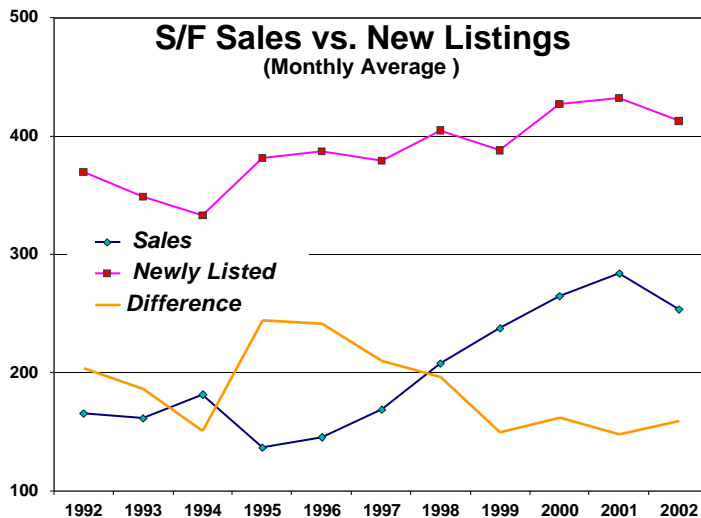
All of median prices in the neighborhood sub-markets rose last year, with Pearl City (green line) and Windward (light gray line) putting together back-to-back increases. Hawaii Kai (light blue line) had the highest percentage appreciation, at 11%, while Mililani (yellow line) had the smallest, at a rise of 0.6%.

LISTINGS: The number of resale listings have fallen again this year (see the blue line, in SUPPLY SIDE TRENDS Chart), making that three years in a row they are down. The decrease was about 7%, and that puts supply down by some 37% from its last peak in 1996.

Up until 9/11, listings were declining due to steady demand (i.e., strong sales). Since then, we are beginning to see that they have declined because the number of new listings coming to market has fallen (see S/F SALES vs. NEW LISTING Chart, pink line).



Why? Possibly because either sellers do not believe there is a deep enough market for their unit, or they themselves are avoiding the market because they are unconvinced that now is the time for moving.



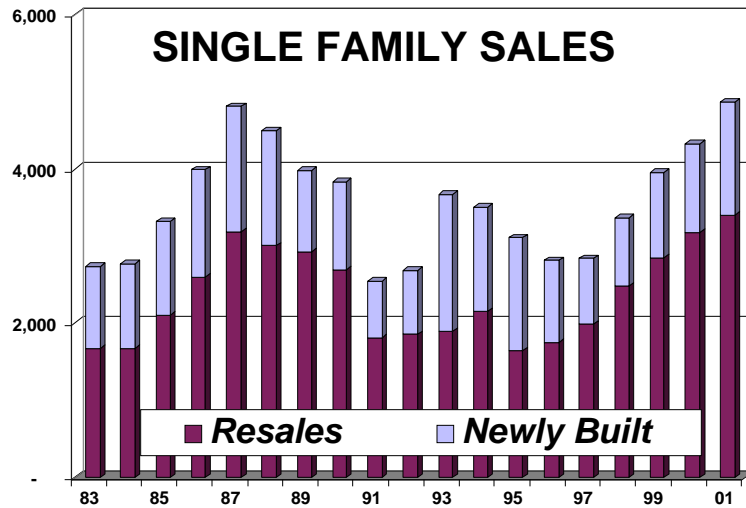
Indeed, when sales (see S/F SALES vs. NEW LISTING Chart, blue line) are compared to new listings on an average monthly basis, both appear to be slowing, with sales slowing faster than new listings coming to market. If this continues rising (see S/F SALES vs. NEW LISTING Chart, orange line), then the total listing inventory will build up and possibly force prices downwards.

Importantly, this indicator (MRI) stands at a very low level currently, which is why prices will be under pressure to rise, if demand (sales) stays the same or moves higher.

SINGLE FAMILY

CLOSINGS: Overall closings for single family homes, both resale and newly built, came in last year at 4,865 units. This was an all-time record number, nosing ahead of the previous one (4,813 set in 1987) by 52 closings. In and of itself, the market is 13% up from 2000 and 90% up from the last low point in the market cycle, set in 1991.

The resales part of the market (purple bar) grew this year by 225 closings, reaching 3,406 homes sold in 2001. Overall resales were up 7% from 3,181 units closed in 2000. 2001 also set a resale market record: it was 212 units above the previous record's 3,194 closings, which was set in 1987. With this rise in 2001, the market has moved higher for six consecutive years, with 1995 being the last year closings fell.

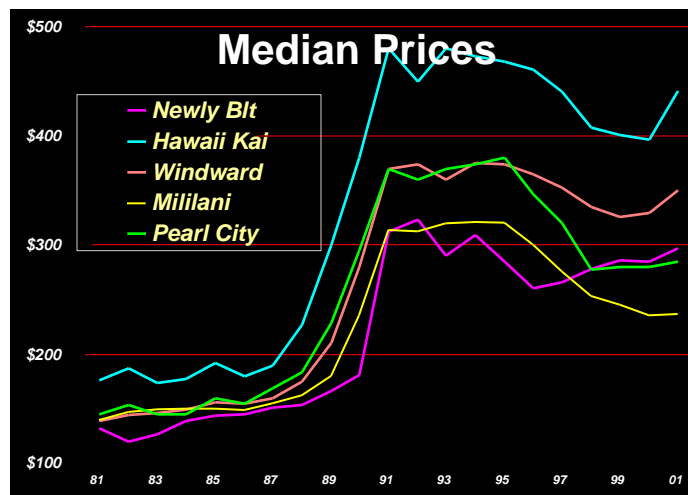


The new homes market (light blue bar) rose by some 28% in 2001, reaching 1,459 units closed. In terms of unit closings, this market grew even more than resales, 318 new homes vs. 212 additional resale units. However, new homes sales is still under it's all-time high, set in 1993.

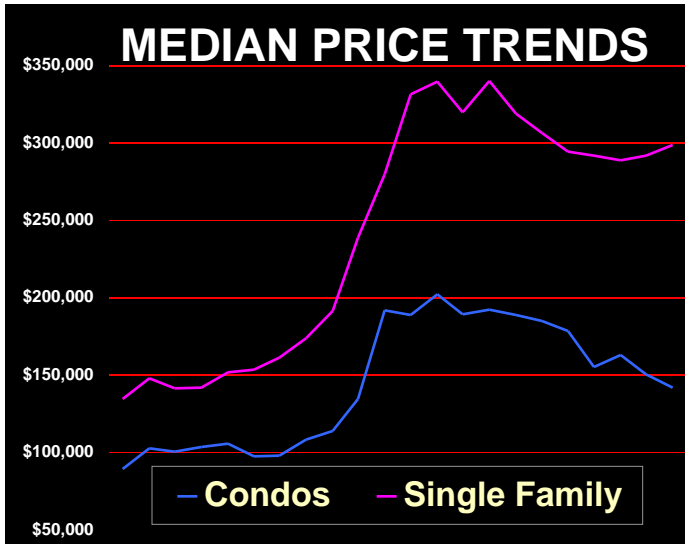
Relative to where the market was at the end of last quarter, we are seeing slightly fewer sales (down by around 40 closings) and slightly higher prices (by a couple of thousand in the new homes sector, but twice as much in the resale market).

PRICES: Overall, the prices in the total single-family homes market -- newly built as well as previously owned homes -- strengthened last year. On an aggregated basis, median prices (estimated) in the single family market rose 2% to \$299,000 from \$292,000 in 2000.

Much of the upward push was provided by the new homes market (see MEDIAN PRICES Chart): their prices (pink line) rose 4% last year. Resale single-family home median



Much of the credit for this rise goes to strong demand for resale homes, particularly in the condominium market. In general, new home sales have lagged behind resales, except for the single-family component (which has been stronger than single-family resales in two out of the last three years).



PRICES: Housing prices have been trying to move upwards these last three years, after trending downward since the early 1990s. Overall market median prices rose from \$219,500 to \$221,000 in 2001, a rise of 0.7%.

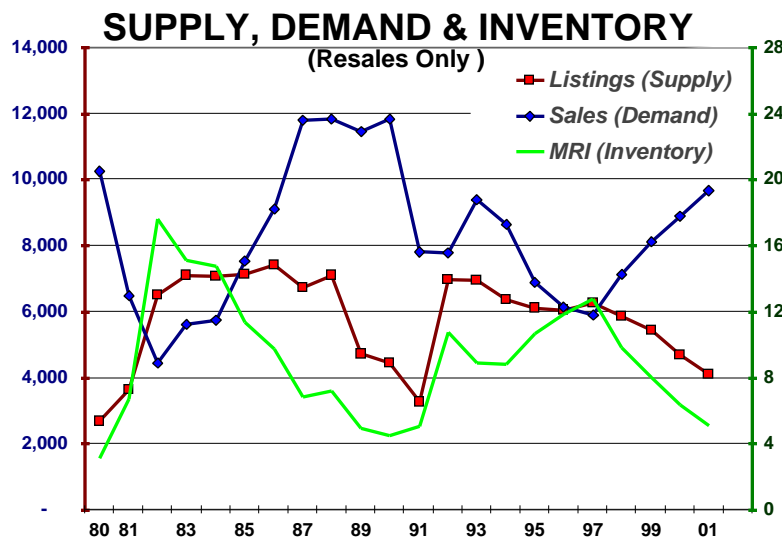
For the resale market, the median price for all resales turned upwards to \$203,000 in 2001, after having staying at \$200,000 for two years. For the new homes market, the median price actually fell last year, but this was the result of closing out two high-end condominium projects (whose sales prices had pushed the median higher over the previous two

years).

As seen in the MEDIAN PRICE TRENDS Chart, the overall condo market's median price has been in decline (blue line) over the last three years, hitting \$142,000 in 2001 from \$150,500 in 2000. This is because the median prices for newly built condos headed sharply downward last year, off by some 30%. In contrast, the resale condominium median price rose by 6.4% (for the first time since 1991).

Single-family median prices (pink line) rose again for the third straight year, hitting \$300,000 (the first time since 1996). Both market segments, the resale and the homes development, saw higher median prices.

Currently, the resale market is looking pretty tight. Per the SUPPLY, DEMAND & INVENTORY chart, sales (blue line) are up, listings (red line) are down, and the inventory (MRI, or the green line) is at very low levels. As can be seen, the resale market sales have risen 60% from the last trough in 1997; and listings are down by some 35% from its last peak in 1997. As a result strong sales and dwindling listing levels, the inventory of homes (MRI: Months of Remaining Inventory) has also declined these last four years, also by around 60%.



3% and 11% the past two years. Similarly, income taxes are at a record high, up by 2% over the last two years.

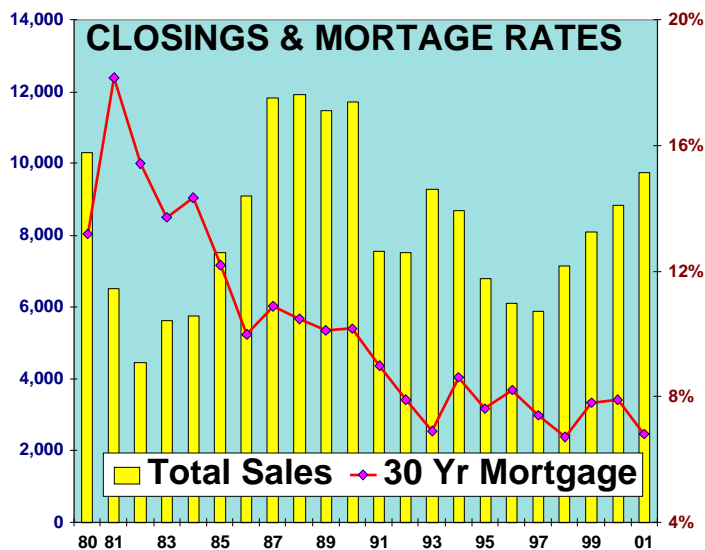


Against these indicators of commercial and personal financial success, we note that the median price of buying a single-family house fell over most of the past decade. Indeed, it is remarkable that the expansion in personal and business income has not yet had much of an impact in terms of pushing prices upwards. Part of the reason why price rises have not appeared until just recently could be due to a fall in interest rates. As the cost of mortgage money fell from the early 1990s, so did the purchasing power of homebuyers begin to grow.

Finally, what home sales most respond to is job growth. In this respect, as seen in the JOB GROWTH HOME SALES chart, they move in synch with one another, with job counts being the more volatile. The dramatic decrease this year in jobs was not met with a decline in residential real estate sales... giving us some hope that job growth will rebound in 2002.

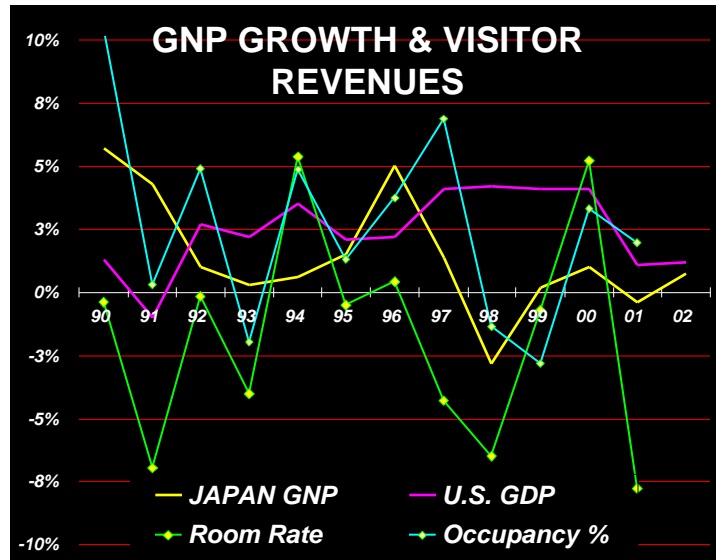
THE TOTAL MARKET

SALES: As illustrated in the CLOSINGS & MORTGAGE RATE chart, Oahu's residential real estate market ended up 9% last year, with some 9,700 homes sold (note: this is total sales -- newly built homes and resales, single family and condominium homes). Overall sales went up from 2000's closing count of 8,900 homes sold, and continued a string of four years with higher closings. The rate the market is expanding by has slowed over these four years: after starting with a 21% growth rate in 1998, it came in at 9% growth the last two years, or 700 plus more units sold. Overall, the market has risen over 60% from the last bottom, which came in 1997. However, it is still some 20% under the all-time peak for home sales, set in 1988.



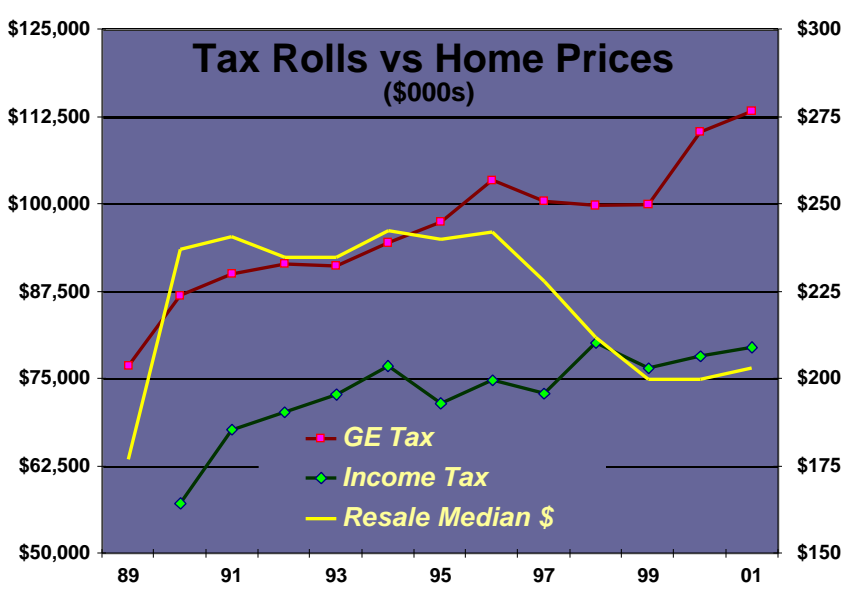
ECONOMIC BACKDROP

Oahu's major tourism markets have experienced a significant slowdown from where they were in the late 1990's. For instance, Japan's economy, Oahu's major source of visitor revenues, shrank by 0.4% in 2001, compared to growing by 5% p.a. several years earlier. Things aren't expected to do much better in 2002: only .75% growth next year is projected for the Japanese. For the US economy, while currently looking quite anemic relative to the last 5 years, it is still projected to grow twice as fast as Japan (or 1.5% real growth).



This can be seen in the GNP GROWTH & VISITOR REVENUES chart, where the real rates of growth for Japan (yellow line) and the US (pink line), our two major visitor markets, are compared to the annual rates of growth in Oahu's average hotel room rate (green line) and for the average rate of occupancy (light blue line).

In the fourth quarter of 2001, Oahu's visitor industry saw its occupancy rates fall as drastically as they did after the Gulf War commenced in 1990. Occupancies dropped down from 82% to 76%, a fall that almost wiped out the gains made in the prior two years. Average room rates for the year actually increased to \$180 a night from \$171 in 2000. As these rates are for the whole year 2001, they have not responded fully to the 9/11 tragedy as have the other inducements.



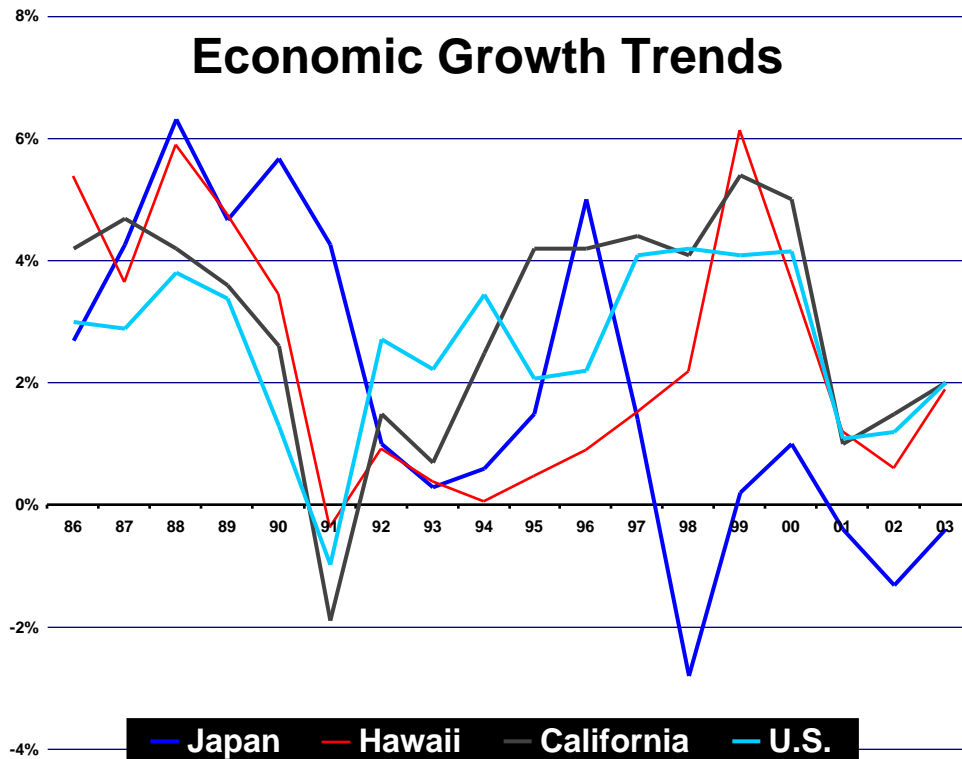
Notwithstanding the downturn this year in tourism, the 1995-2000 growth in the visitor industry has had a corresponding positive effect on business and personal income on Oahu. The chart TAX ROLLS vs. HOME PRICES tracks this, via the levels of income tax taken by the state from businesses (General Excise Tax) and individuals (Personal Income Tax).

The GE Tax was at an all-time high last year, up

OAHU REAL ESTATE INDICATORS

Year End, 2001

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