An overview of the potential opportunities for industrial, commercial, and residential investment.
What is an Opportunity Zone?

INTRODUCTION TO HAWAII’S OPPORTUNITY ZONES
These overviews are designed to give investors a high-level overview of the potential opportunities in each of these zones in terms of industrial, commercial, and residential investment possibilities.

OPPORTUNITY ZONES
Hawaii designated 25 census tracts as opportunity zones as part of the new federal community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. Its stated purpose is to encourage entrepreneurship and expansion capital for economically distressed areas of the country.

ADDITIONAL INCENTIVES
Almost all the opportunity zones in Hawaii overlay with other economic development initiatives such as New Market Tax Credits, Enterprise Zones and Transit Orient Development (TOD) Zones. There are also many other non-census tract-based programs that can be applied such as Low-Income Housing Tax Credits (LIHTC). Additionally, there may be synergies between investors and their missions and the major property holders and businesses in an opportunity zone.

OPPORTUNITY FUNDS
The opportunity zones program provides a federal tax incentive for investors to re-invest their unrealized capital gains into opportunity funds that are dedicated to investing in opportunity zones. Opportunity funds are the private sector investment vehicles that invest in opportunity zones. The fund model will enable a broad array of investors to pool their resources in opportunity zones, increasing the scale of investments going to underserved areas.

BENEFITS TO INVESTORS
A temporary tax deferral for capital gains reinvested in an opportunity fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.

A step-up in basis for capital gains reinvested in an opportunity fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an opportunity fund, not the original gains).

NEXT STEPS
More information can be found at: https://invest.hawaii.gov/hawaii-opportunity-zones/ including detailed GIS maps of Hawaii’s opportunity zones.

As a next step, potential investors should consult and work with their tax attorneys, real estate agents and business advisors to explore investment possibilities in opportunity zones in Hawaii.
### MARKET HIGHLIGHTS FOR 2018 for the Island of Maui

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate/Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Vacancy Rate</td>
<td>17.16%</td>
</tr>
<tr>
<td>Retail Net Absorption</td>
<td>(58,317) SF</td>
</tr>
<tr>
<td>Retail Avg. Asking Base Rent</td>
<td>$4.26 psf/mo</td>
</tr>
<tr>
<td>Office Vacancy Rate</td>
<td>17.24%</td>
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<tr>
<td>Office Net Absorption</td>
<td>4,986 SF</td>
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<tr>
<td>Office Avg. Asking Base Rent</td>
<td>$1.77 psf/mo</td>
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<tr>
<td>Industrial Vacancy Rate</td>
<td>1.27%</td>
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<tr>
<td>Industrial Net Absorption</td>
<td>204,476 SF</td>
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<tr>
<td>Industrial Avg. Asking Base Rent</td>
<td>$1.31 psf/mp</td>
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<tr>
<td>Investment Sales Volume</td>
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<tr>
<td>Investment Sales Counts</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Colliers International Hawaii Research & Forecast Report, Maui Market Year-End 2018

### Likely Invest Drivers on Maui

- A mid-Pacific location that offers overlapping business hours and easy access to markets in Asia and the Pacific Rim nations as well as the continental U.S.
- Foreign trade zone facilities at the 400-acre Maui Research and Technology Park
- Port and airport facilities that offer easy access to global markets
- Enterprise Zone Program that assists certain types of businesses to create jobs where they are most needed or appropriate
- County’s leading sectors include: Astronomy/Optics/Space Technology, Agricultural Biotechnology, Energy Technology, Information Technology, and Tourism
MAUI OPPORTUNITY ZONES
WEST CENTRAL WAILUKU NEIGHBORHOOD

The West Central Wailuku Opportunity Zone (Census 309.01) is just 10 minutes west from the Kahului Airport in Wailuku, a commercial center and the county seat of Maui’s government. This area has dozens of family businesses, many of which have been in continuous operation for generations. These off-the-beaten-path “Mom and Pops” are home to local favorite shops, restaurants and bakeries. Amid these cherished establishments, a new Wailuku is also emerging, featuring contemporary boutiques, stylish cafes and laid-back coffee shops.

Census Tract:
309.01 (West Central Wailuku)

- Resident Population: 2,613
- Median Household Income: $38,750
- Median Family Income: $49,926
- Population with a High School Degree or Higher: 80.4%
- Median Value for Owner-Occupied Housing Units: $376,800
MAUI OPPORTUNITY ZONES
KAHULUI AND SURROUNDING NEIGHBORHOODS

The Spreckelsville Opportunity Zone (Census Tract 319) encompasses a large section of Maui's largest town, Kahului on the island of Maui. This area hosts Maui's main airport (Kahului Airport), deep-draft harbor, light industrial areas, and commercial shopping centers, all of which are investment drivers. The retail center for Maui residents, Kahului has several malls and major stores including department stores in the Queen Kaahumanu Center.

Census Tract: 319 (Spreckelsville)

- Resident Population: 5,454
- Median Household Income: $57,022
- Median Family Income: $68,125
- Population with a High School Degree or Higher: 83.1%
- Median Value for Owner-Occupied Housing Units: $511,800
MAUI OPPORTUNITY ZONES
HALIIMAILE NEIGHBORHOODS

The Haliimaile Opportunity Zone (census tract 304.04) is part of Upcountry Maui which includes one of the most famous towns, Makawao. Located on the mid-slopes of Maui’s Haleakala volcano, Makawao has one foot in its plantation past and another in its thriving arts community. This charming town was once named one of the top 25 arts destinations in the United States. It is famous for its Hawaiian cowboys, or paniolo. Since the late 19th century, horseback-riding paniolo have wrangled cattle in Maui’s wide-open upland fields.

Census Tract:
304.04 (Haliimaile)

- Resident Population: 5,614
- Median Household Income: $60,321
- Median Family Income: $58,250
- Population with a High School Degree or Higher: 91.6%
- Median Value for Owner-Occupied Housing Units: $491,700