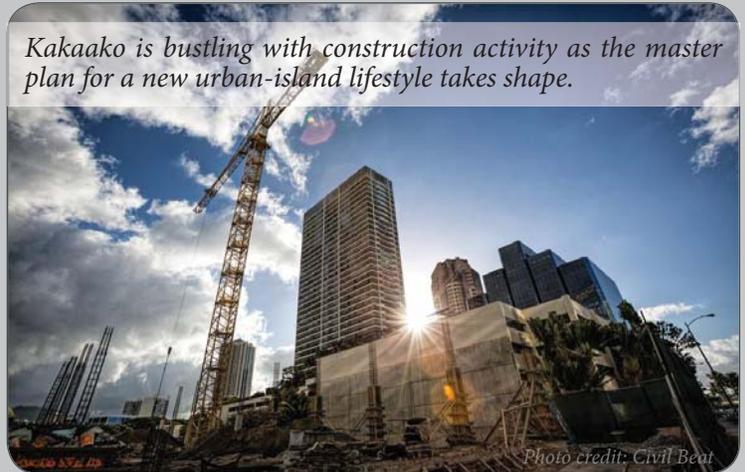


KAKAAKO'S GROWING RETAIL DISPARITY *Part 1 of 2*

Kakaako is the buzz word around town, with its redevelopment currently underway and a master plan aimed at creating an environment where its community can live, work and play. Centrally located between Downtown Honolulu and Waikiki, Kakaako and its developers hope that Kakaako will evolve into a new urban-island lifestyle, surrounded by newly-constructed residential towers, pedestrian promenades, retail space and a major rail station. Current construction in Kakaako will create over 5,000 new housing units, bringing an influx of residents to the center of Honolulu and resulting in a greater need for retail amenities in our urban core. With this evolution, the complexion of Kakaako retail, as we know it now, is changing.

The Howard Hughes Corporation has a prominent presence in this changing landscape as the owners of Ward Village, a 60-acre mecca of existing shopping, restaurants and entertainment. As part of their multi-phase project, a pair of residential towers with ground-floor retail space will be developed where Ward Warehouse stands today. The replacement of Ward Warehouse will make way for retail development opportunities that serve an insatiable appetite for consumption. Many seem to think that Hawaii is overbuilt in terms of retail, but viewing it against the national average of 23 square feet of retail space per capita, Hawaii is actually underserved at 19 square feet. Along with additional new residential



Kakaako is bustling with construction activity as the master plan for a new urban-island lifestyle takes shape.

Photo credit: Civil Beat

construction by fellow landowners Kamehameha Schools, Joe Nicolai, A&B Properties, and Stanford Carr Development, Kakaako will become home for thousands of new residents, who will create a new demand for retail supply. New residents to the area will create a disparity between available retail and rooftops in the area between Ward and the CBD. Even without these new residential towers, the broader Kakaako area's retail is already heavily-trafficked.

Though there will be a greater need, not just any retail will work in Kakaako west of Ward because of the Howard Hughes competitive set. However, those living in this new urban environment will need and/or want amenities and convenience retail within walking distance. With the exception of Starbucks at 680 Ala Moana Boulevard, there is currently no everyday retail or convenience stores in the area. And with the emphasis on the ability to walk along strategically-designed pedestrian walkways in this community, the need for thoughtful retail only becomes more apparent.

There will be some short term problems, but room for both short and long term solutions. Change inevitably will bring some growing pains. The abundance of construction will create inconvenience with a lack of pedestrian and vehicular circulation, but despite the disruptions, consumer demands will still need to be met. The increase in demand will become a constant driver, but it will take patience to overcome any nuisances as Kakaako takes shape over time. Tenants might find themselves having a difficult time surviving in this interim environment, so landlords will likely need to be flexible and renegotiate terms. Other short terms solutions include repositioning and repurposing existing assets, such as Ward Warehouse, Ward Center and Waterfront Row.

Large landowners, such as Howard Hughes, Kamehameha Schools and the Office of Hawaiian Affairs (OHA) in the area are uniquely positioned to offer long-term solutions. *Our next Newsletter will explain solutions to provide adequate and attractive retail for this new core community of urban development, so stay tuned!*



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MERRY CHRISTMAS

& Happy New Year

In this season of gratitude and thanksgiving, we thank you for your friendship and support, and we hope and pray blessings over you and yours.



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