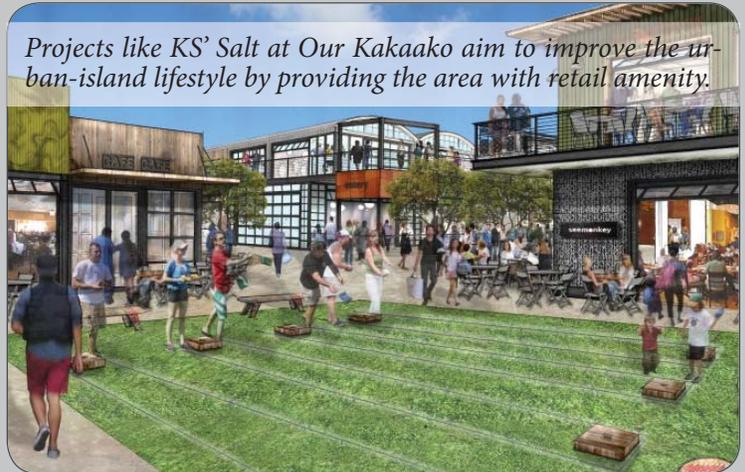


## KAKAAKO'S GROWING RETAIL DISPARITY *Part 2 of 2*

Kakaako continues to be at the epicenter of any conversation about Honolulu, with construction sites, cranes and daily news coverage making it only more obvious that something major is happening in our urban core. As discussed in Part 1 of last quarter's newsletter, the construction of over 5,000 housing units will bring an influx of residents to the area and create a need for retail amenities that cannot yet be matched. This disparity is not a loss though, as large landowners such as Howard Hughes, Kamehameha Schools, and the Office of Hawaiian Affairs (OHA) have a unique opportunity to create long-term solutions as each of their projects take flight.

The proposed master plan of Kakaako boasts a community where residents can live, work and play. Developers are already in the midst of creating the "live" portion of Kakaako, as towers are popping up and people are purchasing units, but the solutions for the "work" and "play" aspects of the community still remain unanswered. Providing these answers create a stimulus for new business and consumption, allowing room in the market to serve the Kakaako community by providing jobs and amenities. Not only does



this benefit Kakaako residents, but it creates sustainability for the economy at large, while also creating sustainable values for housing and rentals. Creating "play" opportunities could take many different forms - as art, entertainment, parks, food & beverage, or retail of hard or soft goods. The possibilities are almost endless.

Projects such as "Our Kakaako," a joint project by Kamehameha Schools and Castle & Cooke Homes Hawaii, Inc., or Howard Hughes Ward Village, focus on improving the urban-island lifestyle for the Kakaako community and are uniquely positioned to create solutions for the retail disparity residents might discover. Kamehameha Schools' Salt at Our Kakaako project aims to provide the community with a city block's worth of innovative entrepreneurs, unique retail and local eateries, while Ward Village will become a 60-acre hub of cutting-edge shopping, restaurants, and entertainment, along with a pair of residential towers. As exciting as this mix sounds, these projects will need to find the right blend of lifestyle retail effectively blended with everyday convenience and service retail. Residents still need their grocery, pharmacy and daily needs fulfilled.

Other new retail projects on the market for late-2015 include Ala Moana Center's 650,000 square foot Ewa Wing Expansion, which will feature the introduction of a 167,000 square-foot Bloomingdale's, large format retailers, as well as inline retailers, dining and entertainment. The project also includes the addition of 1,000 parking spaces in the Mauka Ewa Parking Structure and the opening of a 186,000 square-foot Nordstrom department store, scheduled for 2016.



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In conjunction with these projects, OHA also holds a large, and probably the most intriguing, piece of the puzzle with the approximately 30 acres they acquired from the State of Hawaii. These nine parcels were a settlement to resolve a dispute stemming from \$200 million in back-due revenues for the state's use of ceded public lands that were seized in 1893. While OHA has no intention to build high rises along Kakaako Makai, their development is another great opportunity to provide a gathering place for work and play amenities. The scale and development potential of the OHA portfolio could significantly change the landscape of Kakaako.

Not all solutions to this growing retail disparity rely on these new developments. The reposition and repurpose of existing assets could offer short-term solutions. The potential repositioning of Waterfront Plaza is one example. Not only does it have great exposure and signage along Ala Moana Boulevard, it is in close proximity to the *piko*, or center, of Kakaako and directly adjacent to Alexander & Baldwin's residential project, The Collection. By repositioning its merchandise mix with synergistic retail and restaurant-centric tenants, this could prove to be a creative way to repurpose a major existing asset while addressing the growing need for retail in the area.

Hawaii's large landowners have a large responsibility to its residents, and it becomes more apparent during the creation and redevelopment of communities. The responsibility to create sustainable and innovative environments go hand-in-hand with ensuring the needs of the community are met. Not only do they need affordable housing options, but they also need a place that offers them work and play opportunities, retail, services, etc. - a place to truly call home. The shaping of Kakaako has unprecedented dynamics in play and providing for the retail needs of the thousands of new residents who move into the area will be a major component in creating a complete community.



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