

Kapolei & Ko'olina and Their Growing Complexity

It wasn't too many years ago that Ko'olina was a couple of resort properties perched out on the west side of Oahu. Close, but not connected to a young Kapolei and a solid 20 miles from the nucleus of resorts in Waikiki. While the growth of Kapolei slowly picked up speed there was not much happening next door at Ko'olina. Isolated; disconnected; an idea that will someday become a reality.

Growth in Kapolei picked up considerable momentum in the early 2000's with the launch of both commercial and residential developments of noteworthy size. The demand for housing kept residential developers busy and the ancillary commercial need following that demand had commercial developers on a steadily increasing track in the area.

During this same period JW Marriott constructed their project in Ko'olina but the buzz around it paled in comparison to the bigger story lines. Not until the arrival of Disney Resort's Aulani did the spotlight shift in a meaningful way to the traction Ko'olina was gaining – and rightfully so. Not only was Disney one of the world's most powerful brands, but they purchased the best parcel in Ko'olina and constructed a resort nearly twice the size of the other resorts in the area.

The conversion of the Ihilani to a Four Seasons Resort along with the purchase of the final lagoon parcel for a potential Atlantis Resort has the momentum of the Ko'olina area at an all-time high. While still in its adolescence as an overall development, the critical mass in the area is becoming palpable. There are approximately 2,200 units currently but a total potential unit count of over 9,000 at full buildout. At 9,000 units, that is more than the entire island of Kauai but Ko'olina is contained within a two mile radius (*see chart comparison on back page*).

Kapolei has had sufficient growth that retailers did not need the consumer benefit of Ko'olina in order to be successful. The relatively small amount of tourist traffic was a non-strategic bonus. The resorts each have a few food venues for their guests and there are only 56,000 square feet of non-resort retail in Ko'olina proper. On paper, there historically has not been much for which to be excited.

It is still too early to assume that the current deal on the table for Kapolei West will be successfully completed, but should it be finalized, the connection point directly to Ko'olina from Kapolei will provide a dynamic on the west side of Oahu anticipated but unseen for 30 years. It is hard to imagine Kapolei Commons not being located on a dead end street, but rather central to the Kapolei corridor. That would be the reality.

Sorting out how to solve for Kapolei and Ewa Beach has been an existing challenge for retailers over the past 15 years as this "green" market started to find its legs. Virtually none of that strategizing accounted for Ko'olina being in the equation – at least not in the foreseeable future. The landscape is changing in front of our eyes and it has retailers once again revisiting their strategies.

For the past 15-20 years all of the retail in Kapolei has been focused on the overly-trafficked Kamokila Boulevard with the anticipation of Kapolei Parkway opening. When Kapolei Parkway finally opened in 2014, the traffic flow began to adjust and retailers have been grappling with how to adjust as a result. This has been predictably difficult. As a case in point, Kapolei has been the fastest growing trade area for the past 10 years and Walgreens still does not have a location in the market.



Even at current development, Ko'olina is only at its half way point of planned growth



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Comparison between Ko'olina Resort's vacation and residential units to the island of Kauai's vacation property units.

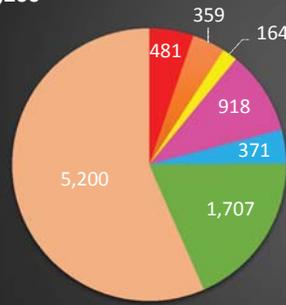
(Continued From Other Side)

This mutable dynamic is the backdrop against which the momentum of growth in Ko'olina and its possible direct connection to Kapolei occurs. Were either of those two factors to happen singularly the impacts would be significant, but the instance of them simultaneously occurring will make for an exciting but particularly challenging landscape for retailers.

The emergence of Ko'olina and maturity of Kapolei are creating a fluid environment sure to last for years as different components of growth come online at various times and likely do so over the next 10-15 years. While it is not an exact science, it will no doubt place a premium on thoughtful planning.

Ko'olina Resort: Number of Units

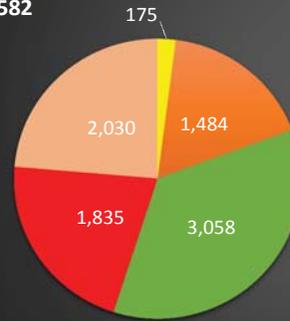
Total Units:
9,200



- Aulani: TimeShare
- Aulani: Hotel
- Beach Villas at Ko'olina: Condominium Hotel
- Marriott's Ko'olina Beach Club: Timeshare
- Four Seasons: Hotel
- Future Developments: Resort/Hotel Lodging
- Existing & Future Developments: Residential

Kauai: Number of Vacation Property Units

Total Units:
8,582



- Kalaheo/Waimea
- Lihu'e
- Po'ipu/Kukui'ula
- Princeville/Hanalei
- Wailua/Kapa'a



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