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Vol. 10, Issue 305 - Tuesday, Nov. 1, 2005

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Hawaii hotels on track for \$3B

Isle room revenues and occupancy rates remain strong

By Allison Schaefers
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Hawaii's total hotel room revenues, which set a record during the first nine months of the year, could be on track to reach \$3 billion this year for the first time ever.

Continued travel demand for Hawaii, as well as a resurgence in the state's convention, Japanese and Canadian visitors, boosted average hotel occupancy to 82.5 percent during the first nine months of this year and pushed room revenue to \$2.27 billion, the highest ever for that period, according to a report released yesterday by Hospitality Advisors LLC.

"If the pace continues through the end of the year, we could see room revenues approaching \$3 billion," said Joseph Toy, president of Hospitality Advisors. "That's a significant jump over the \$2.73

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billion recorded in 2004 and the \$2.7 billion in 2003."

Growing visitor arrivals, hotel improvements and a diminishing number of rooms boosted Hawaii's hotel performance during the first three quarters of this year. The state's average daily rate, hotel occupancy and room revenue were second in the nation to New York.

Also contributing to Hawaii's gains are cheaper air fares and problems at other destinations hit by natural, financial and other disasters, said Mike Paulin, owner and chief executive of Aqua Hotels & Resorts.

While September is traditionally the start of Hawaii's softer tourist season, increased visitor demand, especially from high-end guests, has helped bridge the gaps, Paulin said.

In the last three years, 28 hotels in Hawaii have changed hands to the tune of \$3 billion, Toy said.

"Demand is actually pushing most of the renovation and reinvestment in this market," Toy said. "There are strong barriers to entry into this market, and there isn't a lot in the pipeline for expansion of traditional hotels."

Hawaii's high-end hotels have enjoyed significant revenue gains from growth in higher-spending visitor groups, Toy said. Honeymooners, visitors from the East Coast and those attending corporate functions helped drive up revenues, he said.

Hawaii's luxury hotels generated \$1.3 billion in room revenues during the first nine months of the year for a gain of 10.2 percent from last year.

Midprice, economy and budget hotels saw a 7.6 percent gain in room revenues to \$578.9 million during same period, but demand for the mid- to low-tier categories declined by 1.1 percent to 6.1 million room-nights sold.

Hawaii is experiencing a shift to higher-spending tourists as

Sept. occupancy rates

BY ISLAND		
	Percent of rooms occupied	Change from Sept. 2004
Oahu	86.7%	+10.7% ▲
Maui	75.4%	+3.3% ▲
Kauai	74.1%	-0.3% ▼
Big Island	62.9%	-3.1% ▼
Statewide	79.0%	+5.5% ▲

Source: Hospitality Advisors LLC STAR-BULLETIN

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Island Im S-B
Photogra



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Sidelines

the destination matures beyond the sun and sand, said Ken Phillips, staff vice president for Pleasant Holidays LLC, Hawaii's largest travel wholesaler.



Kalani Sir

"We continue to see a shift from economy and moderate properties to superior and above hotel room categories," Phillips said.

**Press Board**
Dave Rea

Waikiki had the fullest hotels in the state in September, with hotels that were 86.8 percent full, a gain of 7.4 percentage points from last year, according to the report by Hospitality Advisors. The average daily room rate at Waikiki hotels surged 17 percent to \$136.96.

**Editorial Cartoon**
Corky Triu

"This year, Oahu was the star performer among the islands, which really hadn't been the case in the last several years," Toy said.

Reinvestment projects in Waikiki have helped the market gain traction, including the Outrigger Beach Walk project, the Royal Hawaiian Shopping Center renovation, the widening of Kalakaua Avenue and refurbishment of Kapiolani Park, Toy said.

"Hawaii has become a premium destination again, and we're seeing the return of the Japan visitor and other high-yield markets such as cruise ship passengers, honeymooners and corporate travelers," Toy said. "They like the night life, restaurants and shopping that have sprung up in recent years."

While Maui hotel occupancy rose 2.4 percentage points to an average 75.4 percent in September, occupancy on other neighbor islands fell. Kauai hotel occupancy slipped 1.9 percentage points to 74.1 percent, while Big Island occupancy dropped 2 percentage points to 62.9 percent.

The strong performance of Hawaii's visitor industry as a whole is expected to continue in the coming months, Phillips said.

"We are seeing a stronger fall than anticipated, and Thanksgiving and Christmas/New Year's are pacing ahead of 2004," he said.

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