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—MOMENTUM—



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The Waikiki Beach Walk project has been followed by renovations at neighboring properties, like the roof repairs at the Halekulani.

Waikiki Catches A Wave

Outrigger's Beach Walk project has been accompanied by a tide of renovation and investment

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Call it savvy tourism minds thinking alike, or call it a ripple effect: Since Outrigger Enterprises Group announced its plans to redevelop the Lewers-Beach Walk area, there has been a rising tide of renovation and new investment in Waikiki.

From the multimillion-dollar rebuilding of the neighboring Royal Hawaiian Shopping Center, to smaller upgrades at the Waikiki Parc and Waikiki Trade Center, to Sheraton's planned multihotel overhaul, the overarching trend for the tourism district is renewal.

Part of the excitement is generated by big names like the Trump International Hotel & Tower, as well as trendy mainland restaurants like Ruth's Chris Steak House and Nobu. California Pizza Kitchen, too, has set up shop at the old Waikiki 3 Theatre on Kalakaua Avenue.

"It's not just the Outrigger project," said Rick Egged, president of the Waikiki Improvement Association. "It's the revitalization of Waikiki as a whole. Outrigger Beach Walk is the largest, and probably one of the most significant because it redeveloped an area that was most sorely in need of it. What that does, unquestionably, is provide economic incentive to redevelop."



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A major overhaul at the Royal Hawaiian Shopping Center included the planting of new coconut trees.

Over the PAST seven years, Egged said, there has been more than \$1.9 billion worth of revitalization and reinvestment in Waikiki. He said the revitalization is happening from Dewey Lane near Hilton Hawaiian Village to the inner reaches of Kuhio Avenue.

"As rents go up, you can justify redeveloping better," said Egged. "You also have to be able to compete."

Investors seem to be taking note, timing their developments in line with Beach Walk.

The Beall Corp., a longtime investor elsewhere in Hawaii, has ventured into Waikiki for the first time.

Beall is a development partner for three properties -- all of which will be transformed into new retail space.

Cory Beall, vice president of Beall Corp., said the decisions were motivated in part by the Beach Walk project, but also by the retail real estate market itself.

"It seems everyone wants to come to Honolulu, drawn by the successes of not just the likes of Louis Vuitton, Tiffany and Hermes, but also the Cheesecake Factory and California Pizza Kitchen."

—Tom Kenney, Chaney Brooks & Co. Retail Broker

"It's not the No. 1 reason," he said, "but it certainly is a contributing factor. The whole makai side of Kalakaua, and the west side of Kalakaua Avenue, is getting a real good face lift."

The Outrigger Beach Walk project and Trump Tower all mean a boost of activity in the area, he said. But Beall said the company is not targeting high-end luxury shops.

"We're targeting national brand and lifestyle tenants," he said.

Retail rents in the new spaces near Beach Walk will be set anywhere between \$18 to \$20 per square foot per month.



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The Waikiki 3 Theater on Kalakaua Avenue has been reinvented as the Center of Waikiki, a shopping restaurant complex with a California Pizza Kitchen, Footlocker and more.

Several other projects, such as the \$10 million redo of Waikiki 3 into a two-story retail center, were spearheaded earlier. Robertson Properties Group began construction on the Center of Waikiki last February. California Pizza Kitchen, Atlantis Seafood & Steak and Footlocker are already open, while Whaler's Village is waiting in the wings.

Near the heart of Waikiki, Chaney Brooks & Co. retail broker Tom Kenney finds it an opportune time to list a three-story retail building at 345 Royal Hawaiian Ave. for \$12 million. He is marketing it as a "prime Waikiki investment" because, he said, now is the time to jump into retail real estate.

Rents there should command about \$18 per square foot per month.

"It seems everyone wants to come to Honolulu," he said, "drawn by the successes of not just the likes of Louis Vuitton, Tiffany and Hermes, but also the Cheesecake Factory and California Pizza Kitchen."

Individual retail stores, such as ABC Stores and Prada, have been remodeling their shops over the last year. Individual properties, such as the DFS Galleria and Waikiki Business Plaza, also are putting dollars into renovations. Add Starwood Hotels & Resorts to the mix, with its major redevelopment plans for the Sheraton Moana Surfrider and Princess Kaiulani.

Egged said the ripple effect will begin on Kalakaua Avenue and spread toward Kuhio Avenue, which already has seen some revitalization activity as well.

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