

## Condo Mania!

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The nearly 5,000 units planned for the city's urban core are expected to meet pent-up demand — or could even fall short

By Andrew Gomes



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Lanikea. Hokua. Ko'olani. Capitol Place. Keola La'i. Moana Pacific. The Watermark. Allure Waikiki. Pacifica Honolulu. Holomua.

These condominium towers in Honolulu were the product of the last real estate market boom, which prompted developers to build close to 4,000 new units in more than a dozen towers that also included The Pinnacle, 909 Kapiolani and 215 N. King.

So is it shocking that developers are now planning to push out an even bigger number of high-rise homes — almost 5,000, including 1,000 rental units — in Oahu's urban core?

To some observers it's hard to imagine demand meeting such a supply.

But developers, along with a local economist and a real estate market analyst, contend that all the projects planned to date won't produce a glut.

"It's not a question of will there be enough buyers," said economist Paul Brewbaker of Honolulu-based TZEconomics. "The problem is, will there be enough condos?"

Local real estate market analyst Ricky Cassidy said there may be two or three more towers in addition to what's already been announced that conceivably could succeed in the market.

"We're at this amazing moment in the cycle where everything is perfect," he said.

Brewbaker and Cassidy say factors supporting a new boom in Honolulu high-rise housing development include record tourism that translates to lots of visiting prospective second-home buyers, a dearth of home construction in recent years, a strengthening economy and low interest rates.

Cassiday said 5,000 units sounds like a lot, but in his view there is enough diversification among the projects in terms of timing, pricing and occupancy (owning versus renting) to satisfy demand.

Relatively little current home construction in Oahu's suburbs and the promise of the city's planned rail line running

near several of the announced tower projects are other factors that lead Cassidy to conclude that this building wave of new high-rise housing in Honolulu will be bigger than the last one.

Developers cite the response from buyers to the first three tower projects to hit this upward market cycle: Waihonua at Kewalo, One Ala Moana and 801 South St.

The first was Waihonua, a tower on Queen Street at the base of Pensacola Street that local developer Alexander & Baldwin Inc. started selling and building toward the end of last year.

A&B recently reported that 321 of the tower's 341 units, which are priced between \$375,000 and \$1.9 million, were sold as of May 8, including 302 binding contracts that generated \$33 million in nonrefundable deposits for A&B. Waihonua is slated to be completed by March 2015.

The second project was One Ala Moana, a 210-unit luxury tower atop the Nordstrom store parking garage at Ala Moana Center where units are priced from \$583,000 to \$9 million.

About 400 prospective buyers lined up in December for half those units made available publicly, while much of the other half was sold in Japan. All units sold, and construction began earlier this year on the project by local development firms MacNaughton Group and Kobayashi Group in partnership with Howard Hughes Corp.

At 801 South, buyers snapped up all 635 units priced between \$253,200 and \$501,300 in March, leaving about 300 lottery entrants empty-handed. Demolition began recently to prepare the site for construction of the project led by local affordable housing developer Marshall Hung.

Perhaps not surprisingly, A&B, MacNaughton/Kobayashi and Hung produced the initial towers during the last market upswing — Lanikea in Waikiki, Hokuia in Kakaako and 215 N. King near Chinatown, respectively.

The next condo tower expected to launch sales is Symphony Honolulu, a 388-unit project on the mauka-Ewa corner of Ward Avenue and Kapiolani Boulevard, this summer.

After that, competition will become tighter with five more towers, all of which recently applied for permits from the state agency governing development in Kakaako, the Hawaii Community Development Authority.

Hughes Corp., the Texas-based owner of Ward Centers, plans three of the five with 900 units at its Ward property. Prices and names for the towers have yet to be specified, though one tower will be moderately priced to satisfy HCDA rules.

A&B plans one tower at the former site of a CompUSA store at the corner of South Street and Ala Moana Boulevard. This project with 466 units that include some townhomes is named The Collection. Unit prices range from the high \$300,000s to the mid-\$700,000s.

California-based Developer Franco Mola plans the fifth tower, just Diamond Head of Imperial Plaza on Waimanu Street near Cooke Street. This project, called 803 Waimanu, features 217 units priced from \$249,000 to \$586,000.

A sixth condo tower is planned on the outer edge of Waikiki on the Central YMCA property. This project, called Aloha Kai, is slated for 128 units and is seeking a zoning change from the city.

Also added to the whole condo mix are two rental towers. One, called Halekauwila Place, with 204 units, is under construction by local developer Stanford Carr. The other, called 690 Pohukaina, slated for 804 units, is planned by Ohio-based Forest City Enterprises Inc., which is negotiating with HCDA on a development agreement to build the project on state land.

“There's a tremendous amount of demand for new housing,” said Ann Bouslog, longtime isle housing market analyst who recently joined Forest City as its development manager.

Cassiday predicts that the optimal window for delivering new residential high-rise projects in Honolulu is 2015 to 2017. Given that construction takes two years for a typical tower, that means starting within the next two years.

Brewbaker recently told a local business group that included a panel of developers that they will wish they had produced a new residential building before 2018.

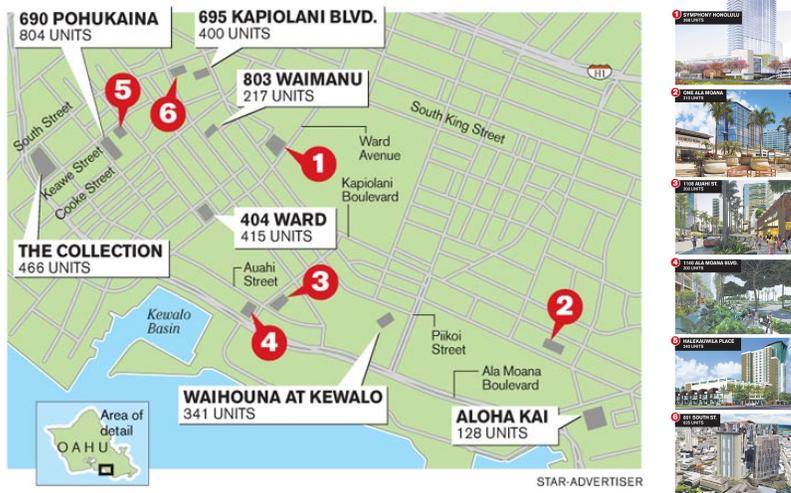
As often happens, there may be more than one project that misses the upswing and either doesn't get off the ground or gets caught in mid-development when demand disappears.

During the last boom there were at least seven towers with about 1,800 units announced that didn't get developed. They included 1723 Kalakaua, which opened a sales office in 2008, another one nearby and a tower called Ko'olua next to Ko'olani in Kakaako.

Because lenders generally require developers to presell a substantial number of units before construction may start, a lack of demand can naturally limit how many planned projects break ground.

Permitting can also be a challenge. A&B pursued three towers in Kakaako Makai next to Kakaako Waterfront Park during the last boom, but that plan was derailed by public opposition and the Legislature.

Two projects that were under construction at the tail end of the last boom, Moana Vista and Allure Waikiki, failed and were taken over by lenders and then later revived by new developers. In Moana Vista's case the tower became Pacifica Honolulu and was finished by San Diego-based Oliver McMillan, which is developing Symphony Honolulu with partner JN Automotive.



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