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West Oahu Special Section: Commercial Real Estate

## Kapolei development 'cranking'

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The opening of Kapolei's second hotel was followed by the groundbreaking for the Second City's third hotel within a few weeks, while at the same time, work started on a 95,000-square-foot warehouse located next to a newly completed 100,000-square-foot building. At Kapolei Commons to the west, construction of more new retail buildings is following last year's opening of a new movie theater complex, while Ka Makana Alii and the University of Hawaii West Oahu campus are drawing more business to the east. And those are just a few examples of the activity West Oahu's commercial real estate market is seeing this year, and heading into 2018.

"Construction is cranking in Kapolei," said Jay Elicker, senior vice president of Commercial Asset Advisors. "They're building retail, they're building restaurant space, they're building industrial and they're building hotels."

### Industrial activity

West Oahu's industrial areas — along Kalaeloa Boulevard down to Campbell Industrial Park — are seeing the most activity. Medline's 100,000-square-foot warehouse recently opened, and Avalon Development Co. has broken ground on the Kapolei Enterprise Center, its 95,000-square-foot warehouse at Kapolei Business Park 2 that is being marketed for sale or for lease.

Across the street, Avalon has started work on infrastructure for Kapolei Business Park West, 100 acres running along Kalaeloa Boulevard makai of the Honolulu Star-Advertiser's printing plant that will be marketed as fee-simple lots as well as build-to-suit warehouses.

Available industrial land is scarce in urban Honolulu. Although the submarket has more than 21 million square feet of warehouse space from Iwilei to Kalihi to Sand Island, according to Colliers International Hawaii; 17.2 million square feet according to CBRE Hawaii, much of that is in older buildings on leased land. By comparison, Colliers counts 6.75 million square feet of industrial space in Kapolei, Kalaeloa and Campbell Industrial Park, while CBRE counts 6.5 million square feet.

While the price of land for small industrial lots in urban Honolulu starts at more than \$200 per square foot in Kalihi, it goes down the further you travel west on H1 — to \$60 to \$70 per square foot in Milltown in Waipahu, said Guy Kidder, senior vice president of the investment and industrial services division at Colliers International Hawaii.



TINA YUEN

Avalon Development breaks ground on its Kapolei project.

Head another nine miles down the freeway and the price drops by \$20 to \$25. While the perception that Kapolei is too far away still exists among local buyers, rising land prices and rents around the island are making some take a second look.

“We think that Kapolei will be higher than Milltown, higher than Waipio Gentry, because they’re just exits on the freeway,” Kidder said. “Then you look at what Kapolei has, the harbor, the government, all the retail, all the residential. I think eventually it should be more expensive.”

The highest price paid for land in Kapolei was about 10 years ago, when Longs Drugs paid \$42 per square foot for three acres of land on Kalaeloa Boulevard.

While Elicker believes the Longs price will be eclipsed in about two years, appraiser [Chris Ponsar](#) of Ponsar Valuation cautions that the abundance of land in West Oahu may keep prices in check.

“There’s no shortage of land in Kapolei,” he said. “I would think the pace they would sell it might increase. Velocity might increase sooner” than prices.

### **Hotels drive industrial demand**

The area’s first hotel, a Hampton Inn, opened last year at the Ka Makana Alii shopping mall. Kapolei’s second hotel, an Embassy Suites, opened this fall, while the same developers recently broke ground on the third, a Residence Inn by Marriott.

And then there are the hotel projects planned for Ko Olina Resort next door. China Oceanwide Holdings plans to build an Atlantis resort on 25 acres next to Disney’s Aulani, two other hotels, yet to be named, on 17 acres between the Ko Olina Beach Villas and Marriott’s Ko Olina Beach Club.

Those projects will drive demand for more industrial space in nearby Kapolei, Kidder said.

“Hotels need a lot of back-office-type of products; they have to have some place to keep it,” he said.

“Whenever they spec, like with Aulani, they want someone to supply everything from napkins to sheets to beds to pillows — they say they want it in Kapolei, they want it near the hotel, when they need it they want to get it immediately.”

### **More homes on the way**

And as more businesses make the move out west, even more rooftops will follow. D.R. Horton — Schuler Division is continuing to build at its Mehana subdivision near downtown Kapolei, and has started building homes on the other end of the Ewa Plain at its long-awaited Hoopili subdivision.

But the largest residential project close to the City of Kapolei will be what was formerly known as Kapolei West, a master-planned project for 2,500 homes, a golf course, school and commercial areas. China Oceanwide Holdings paid \$98 million a year ago to buy more than 514 acres of land between Kapolei and Ko Olina Resort from Aina Nui Corp., an affiliate of the James Campbell Co., but has not disclose

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