

PLATFORM

# HOT ON HAWAII

HAWAIIAN LUXURY PROPERTIES

Luxury properties are back in style in Hawaii where choices are bigger and grander than ever

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**D**ramatic volcanoes, black sand beaches, and verdant forests have long made Hawaii a popular vacation spot. But over the past few years, as the archipelago has recovered from the financial crisis, its real estate offerings have reached new levels of opulence. From cliff-hugging estates on the Kohala coast, to modern golf villas in Kauai, to sparkling towers on Honolulu's waterfront, here's a look at the latest luxury enclaves.

## Kauai

Hawaii's oldest and westernmost island features a verdant and varied landscape, and its vine-choked forests, plunging waterfalls and broad sand beaches have served as the backdrops for films like *Jurassic Park* and *Pirates of the Caribbean*. The island is also a favored playground for celebrities and executives –actors Ben Stiller and Pierce Brosnan both own property here – and in 2014, Mark Zuckerberg famously purchased a 700-acre compound for US \$100 million. Nevertheless, Kauai still feels less developed than other islands, in part due to local building codes that stipulate structures cannot exceed the height of a palm tree.

The southern Po'ipu coast, which receives the most annual sunshine, is the site of several high-end resorts including Kukui'ula, a former sugar plantation that has been transformed into the island's first private members club. Equal parts lavish and laidback, the resort features a clubhouse, spa and community garden and range of accommodations spread across rolling green terrain and 18-hole golf course. Bungalows start at around US\$ 1.5 million, while larger villas start around US\$ 4.2 million. Home sites are also available.

A newly completed spec home designed by Seattle-based Olson Kundig Architects was recently listed for US\$6.95 million, and adds a contemporary flair to the resort's plantation-style architecture. The four-bedroom 4,238-square-foot property features elevated garden pathways, outdoor showers and sliding glass doors in every room. The home overlooks spring-green fields, a mango and papaya orchard, and in the distance, whales can be spotted breaching in the cobalt sea.

Closer to the airport, buyers looking for condominium-style homes in golf resort setting can opt for the new Timbers Resort Kauai, Ocean Club & Residences, which is being built on a dramatic ocean bluff adjacent to a Jack-Nicklaus-designed golf course. The property offers fractional and full ownership options ranging from two-bedroom condominiums from US\$355,000 to townhomes with private plunge pools starting from US\$4.8 million.

KUKUI'ULA



### The Big Island

On the eastern side of the Hawaiian archipelago, the Big Island offers a vastly different topography and a sleek set of gated real estate offerings. The dry and sunny Kohala coast features an otherworldly landscape of black lava fields and is the site of several exclusive enclave resorts including Kukio, Hualalai and Kohanaiki, a new private members club that made a splash when it revealed its opulent US\$65 million clubhouse last year.

Designed by San Francisco-based Zak Architecture, the 67,000-square-foot building has soaring vaulted ceilings, sweeping ocean views and in addition to the usual amenities like an infinity pool, gym and spa, it features a labyrinth of subterranean spaces including wine tasting rooms, a cigar and poker lounge, a movie theater, a bowling alley and a micro-brewery.

As an invitation-only equity club, Kohanaiki has a one-time entrance fee of US\$150,000 in addition to an annual membership fee of US\$25,000. Available properties (being a member requires purchasing a property) include bungalows, townhouses and villas ranging from about from US\$1.3 million to US\$20 million. Larger home sites are also available.

The club's seamless services and Reese Jones-designed golf course are a big draw for members, but the 450-acre property also has tennis courts and a small beach where a team of guides is stationed ready to accommodate everything from surfing to diving to fishing.

Further up the coast in Mauna Kea, another area known for luxury residences lies one of the Big Island's most picturesque sand beaches. Currently, the beach is overshadowed by renovation of the colossal Hapuna Prince Hotel, but when the overhaul is complete, the resort will include Hapuna Beach Residences and the Hapuna Beach Villa, a former hotel suite that is being converted into a luxury

mansion and is listed for US\$21.995 million. Up on the hillside developers are also offering Hapuna Estate Homesites, land lots with sweeping ocean views all the way to Maui. These are offered from US\$795,000.

### Oahu

Honolulu, located on Oahu's southern coast, is Hawaii's largest city and best known for its crescent shaped beach, high-rise hotels and Vegas-like strip of shopping malls. But outside of touristy Waikiki, a new wave of development is reviving former industrial areas and new bringing density and walkability to the city's urban core.

One such project is Park Lane Ala Moana, which comprises seven low-rise building integrated into the Ala Moana Center, an open-air mall and shopping area. The majority of residences, priced from US\$6.1 million to US \$28 million, have sold to a mix of local and international buyers. (Ra Hee Hong, wife of Samsung chairman Lee Hun-Kee, reportedly bought a two-bedroom unit here for US\$6.5 million.)

The largest development currently under construction is Ward Village, a master planned community that will introduce over 4,000 new residences, a revitalized marina and waterfront and vibrant street-level retail. Developers Howard Hughes have enlisted a number of acclaimed architects to create signature architecture for the project, including Vancouver's James Cheng, Chicago's Ben Woo and New York's Richard Meier. Their tower designs vary, but all are glass rich with views oriented toward the ocean and feature lavish amenity decks fitted with landscaped gardens and lap pools.



The first tower to open, Waeia, has just eight remaining units ranging from US\$5.3 million for a two-bedroom unit up to US\$36 million for a sprawling 10,000 square foot five-bedroom penthouse with a private rooftop infinity pool. Across the street the Anaha tower has just five remaining units priced from US\$2.5 million to US\$8 million. Select penthouses are also available.

Next up developers will complete three additional towers, Ae'o, Ke Klohana and 'Aali', the latest tower to launch sales and the first to offer smaller 'turnkey' residences. Studios, one and two-bedroom units range from 277 square feet to 850 square feet and will have flexible layouts, private balconies, retractable beds and come fully furnished with everything down to cups and linens. Prices start from the low US \$500,000s.

### Market Update

Since the last financial crisis, a new tier of ultra-wealthy American investors has poured money into second-home playgrounds like Aspen, the Hamptons and Hawaii. Last year Hawaii saw double-digit price gains in the luxury segment, which is defined as the top 5 per cent of sales.

According to data from Realtor.com, luxury prices in Maui increased 33 per cent to an average of US\$2.485 million compared to a year prior. The island of Kauai came in No. 4 in the country with a 25 per cent leap in average luxury price, and The Big Island came in No. 5 with a 24.8 per cent price increase.

Rather than focusing on investment potential, brokers say, buyers of high-end holiday homes are looking to create a family retreat that can be passed on to the next generation. Vacation home purchases of this level are "not about rental income or obtaining an appreciating asset", says Brittanie Rockhill, a broker with Douglas Elliman. "They are about the non-monetary factors, such as not having to pack or manage logistics when you travel." Buyers want to be off to their home at a moment's notice, she says. "Time is always their most important resource."

Market dynamics are different in Honolulu, which is less resort driven, though prices have also risen dramatically in recent years. The city's median home price of US \$677,000, is roughly three times more than average in the United States. Both supply and demand within the Honolulu real estate market are supported by one of the healthiest unemployment rates in the country (four per cent).

Looking ahead, analysts say transactions could drop in 2018 due to the new American tax bill as well as rising interest rates, but in the luxury segment, where transactions are largely made in cash, rising mortgage rates will have less of an impact.

The majority of buyers in Hawaii come from America's west coast and from Canada, but investors from Asia, particularly Japan, are also a strong force in the market. Bill Pisetsky, Senior Vice President, Sales and Marketing at Ward Village says his buyers have run the gamut from local residents to domestic and international buyers and travelers. "We've seen tremendous interest from Japan as well as some buyers from Korea and China."

Direct flights now available from Shanghai and Beijing are bringing more Chinese tourists to Hawaii, particularly to Honolulu, which is known for its shopping options.

Though Honolulu's market remains strong, Kristian Nielsen, a broker with local firm Honolulu HI 5, says buyers are starting to shy away from properties priced over US\$3 to 4 million, largely due to carrying costs. He estimates that for a 2,200-square-foot residence, annual maintenance fees and property taxes can come to around US\$60,000 – a sizable sum for buyers who use the residence just three of four weeks a year.

Some of the new towers also impose rental restrictions, such as a rental minimum of 180 days. "This makes it difficult to create cash flow," says Nielsen. "It really comes down to people buying for lifestyle or long term appreciation potential." <sup>1</sup>