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Outrigger opts for luxury condos

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Hawaii's red-hot housing market has led Outrigger Enterprises to eliminate hotel rooms from a planned tower at its Lewers Street redevelopment project, instead dedicating the new Waikiki high-rise to luxury residences.

The estimated \$200 million tower that Outrigger originally envisioned as an 890-room hotel probably will be built as 300 to 400 fee-simple condominiums with parking, according to the latest version of the company's Waikiki Beach Walk project.

Outrigger said it is negotiating with a shortlist of condo developers, most of them from the Mainland, to help build the tower, and expects to make a selection within 30 days.

Condo prices have yet to be set, but would likely be more than \$1 million for the best units.

It is the second major change for the planned 350-foot tower on Saratoga Road fronting Fort DeRussy, and would reduce the number of hotel rooms in Wai-

kiki while creating luxury residences in an area typically populated with tourists. Outrigger will demolish two hotels with 210 rooms to make way for the tower.

The tower is one component of Outrigger's \$460 million redevelopment of several old hotels along Lewers Street, Saratoga Road and Kalia Road.

Construction recently began on some components of the project, which includes a retail and entertainment complex, conversion of two hotel towers to time-share use and upgrades of two hotels



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The concept for the new high-rise was revised more than a year ago with the expectation that units would be a mix of mostly residential condos, condos for hotel use, some hotel units and possibly time-share.

But the dramatic run-up in home prices and demand for luxury condos over the last year or so made a completely residential tower easier and less risky to finance, said David Carey, Outrigger president and CEO.

Carey said the recent failure of a bill in the Legislature to extend and increase a hotel redevelopment tax credit expiring this year was a factor in planning the tower. However, even had the bill passed, building a hotel would not have been as financially attractive as a condo, he said.

"I think the destination would be better served by a high-rise hotel," Carey said, adding that economic realities are dictating otherwise.

Outrigger is not identifying potential development partners. Construction could start in the first half of next year. If condos are to be built, sales could begin sooner.

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[Back](#)

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Tourist district losing rooms

Outrigger's planned Beachwalk high-rise:

Original plan — 890 hotel rooms

Latest plan — 300 to 400 luxury condos

Estimated cost — \$200 million

Projected construction start — first half of 2006