

Wailea Resort

Maui, Hawaii

Project Type:
Commercial/Industrial

Case No:
C031003

Year:
2001



SUMMARY

A 1,500-acre, mixed-use project on the coast of Maui, Wailea Resort features approximately 1,800 residences, six hotels, three championship golf courses, high-end retail shops, a tennis club, and other amenities. Perpendicular to the beach, the site rises from sea level to approximately 300 feet above, affording ocean views from many locations. The master plan of Wailea organizes development in zones that are roughly parallel to the coast. An open-space corridor—the zone closest to the beach—has been preserved, with a paved public walkway along the bluffs overlooking the ocean. The open-space zone connects with the hotel zone, which accommodates five of the six hotels, each with its own 15- to 39-acre landscaped compound. Public beach access has been integrated into the design at several points, and the project's facilities—the golf and tennis clubs—are open to the public. Furthermore, the site planning has consciously embraced environmental and archaeological preservation

FEATURES

- Environmentally sensitive design
 - Public beach and open-space preservation
 - Condominiums
 - Twelve-acre golf training facility
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SPECIAL FEATURES

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- Public beach and open-space preservation
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DEVELOPER

Wailea Resort Company, Ltd.
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GENERAL DESCRIPTION

Wailea Resort is a 1,500-acre, mixed-use project located on the south side of the island of Maui. One of the first master-planned resorts in Hawaii, Wailea Resort now is approximately 85 percent complete. Since the project's inception in 1971, six hotels totaling 2,556 rooms, approximately 1,800 residences, and three tournament-level golf courses have been completed, as well as a tennis club, freestanding restaurants, and other amenities. In addition, a 150,000-square-foot, high-end retail complex, called the Shops at Wailea, opened in November 2000, replacing an older, 35,000-square-foot center on the site.

Fourteen parcels totaling approximately 200 acres remain, which are expected to be developed over the next ten to 15 years. Although the current owner/developer, Wailea Resort Company, Ltd., plans to sell the finished parcels rather than build them out, the company is looking at the disposition of each parcel to help broaden the residential and commercial opportunities within the community as it nears completion.

DEVELOPMENT PROCESS

The history of Wailea Resort dates back to 1957, when the Matson Navigation Company acquired the land with the intention of developing a port of call for its cruise line operation. The site, while rocky, arid, and distant from the existing west-shore vacation properties at Kaanapali, offered several advantages: it has five beautiful, crescent-shaped sand beaches, and the weather year around is appealing, with a moderate amount of wind and little rain. Matson's proposed 4,000-unit residential/hotel project never materialized, however, and the land was acquired by Alexander & Baldwin, Inc. (A&B), one of the largest and oldest agricultural companies in Hawaii. A&B formed the Wailea Land Corporation to take ownership of the land and, with its joint venture partner Northwestern Mutual Life Insurance Company, formed the Wailea Development Company to develop the property.

Under Wailea Development Company, a new master plan was prepared, showing a buildout of 10,000 residential and hotel units, as well as golf, retail space, and other amenities. The timing of the project was fortunate for A&B, as Maui County, concerned about the island's potential overreliance on its single-sector (plantation agriculture) economy, was interested in developing tourism there to diversify its economy. As a result, the county government supported the large-scale efforts required to establish the needed infrastructure on the formerly undeveloped part of the island.

In addition to constructing infrastructure, the Wailea Development Company developed the first wave of projects in the 1970s, constructing the first two hotels, several condominium buildings, the Wailea Shopping Village, a tennis club, and the Blue course, the first of the resort's golf courses.

Most of Wailea's growth in the 1980s was in its residential program: condominiums and lot sales. In the mid-1980s, Northwestern Mutual was bought out by Alexander & Baldwin, and in 1989, A&B sold the assets of its Wailea Development Company to a Japanese entity called the Wailea Resort Company, Ltd. (WRCL). WRCL's parent company is Shinwa Golf Hawaii Company, Ltd., a subsidiary of Shinwa Golf Kabushiki Kaisha of Kyoto, Japan.

Under WRCL, much of the resort was built out in the 1990s; four hotels opened in 1990 and 1991, and the Gold and Emerald golf courses, along with a new clubhouse, opened in 1994. Residential development there has continued as well, though at a slower pace than during the 1980s. In 1998, WRCL sold the Wailea Shopping Village to another developer—Wailea Retail Investment Corporation—who redeveloped the site, renaming it the Shops at Wailea.

PLANNING AND DESIGN

The Wailea master plan takes advantage of the characteristics of the site. Extending along two miles of coastline, the nearly 1,500-acre site is long. Perpendicular to the beach, the site rises from sea level to approximately 300 feet, affording views from many locations. The master plan organizes development in zones that are roughly parallel to the coast. An open-space corridor—the zone closest to the beach—has been preserved, featuring a paved public walkway along the bluffs overlooking the ocean. The open-space zone joins the hotel zone, which accommodates five of the six hotels, each with its own 15- to 39-acre landscaped compound. Some of the parcels in this zone have been developed with condominiums, many of which are leased as vacation rentals. Inland and uphill from the hotel zone are the golf courses and additional residential properties, while the Shops at Wailea stands at the end of the main entrance road to Wailea.

Landscaping has been employed as the unifying element of the project. The major ocean-to-mountain roads are lined with now-mature monkeypod trees, with their distinctive horizontal canopies, and coconut palms. The collector roads, parallel with the ocean, have smaller trees, notably Hong Kong orchids and Bahias.

In contrast, while extensive standards are in place for the design of buildings there, the standards allow for diversity. They preclude patently inappropriate historical styles such as Tudor or colonial, but do not dictate a uniform style of architecture. As a result, the architecture of Wailea favors stuccoed walls, double-pitched roofs and trellises, and other devices similarly adapted from indigenous and regional architecture.

The site planning for Wailea Resort was not intended to shield or separate the project from its surroundings but rather to keep it open and porous. Public access to the beach has been worked into the design at several points, and the

project's facilities—the golf and tennis clubs—are open to the public. The site planning also has consciously embraced environmental and archaeological preservation. Several lava-rock walls, called papohaku, which were built by early Hawaiians, as well as naturally occurring lava-rock outcroppings, have been retained as features within the golf courses and elsewhere on site.

GOLF

Golf has spurred the demand for Wailea Resort's hotel rooms and residential properties, and the continuing growth in these sectors has intensified the demand for more golf facilities. The first course, the Wailea Blue Course, an 18-hole, par-72 course designed by Arthur Jack Snyder and completed in 1972, sprawls over a large area, interspersed with condominiums and detached single-family houses. A second course, the Wailea Orange Course, was built and then replaced in 1994 by the Wailea Gold and the Wailea Emerald courses. The Gold and Emerald courses, both 18-hole, par-72 courses, were designed by Robert Trent Jones, Jr. Unlike the Wailea Blue Course, however, the Gold and Emerald courses are compact and have no adjacent residential development. Each course offers ocean views and has its own identity: The Blue course is the most residentially oriented, with multimillion-dollar homes adjacent to it; the Gold is the most rugged, offering all green grass; and the Emerald is perhaps the most gardenlike, with its abundance of flowering shrubs and scented vegetation. In 1990 through 1992, the Wailea Blue Course was the site of the LPGA Women's Kemper Open tournament, and the Wailea Gold Course will host the Senior Skins Game in 2001-2002.

All three courses are irrigated by on-site wells, which deliver brackish water from shallow aquifers. Pumping from the wells is electronically monitored and rotated to minimize the draw of salty water. Wailea Blue has fairways of common Bermuda grass and greens of Tifton 328. The Gold and Emerald courses have fairways of Tifton 328 and greens of Tifdwarf, which has a smoother grain.

The three courses provide for a variety of play. The Blue course has three tee positions, while the Gold and Emerald courses have four to six. The Emerald course allows for course yardage to vary from 5,300 to 7,100 yards, accommodating players of varying skill and strength. Because of this and other features, it has been designated as one of the best courses for female golfers by *Golf for Women* magazine. The Gold and Emerald courses are laid out such that the first and tenth holes tee off from the clubhouse area, which allows for groups simultaneously starting at different nines, accommodating a variety of group and tournament play.

Wailea Resort also offers a training facility, consisting of a driving range, two chipping greens, two bunkers, and two putting areas. The 12-acre facility also is used for nongolf functions ranging from small receptions to concerts to the Maui Film Festival at Wailea.

Just as the golf courses at Wailea have evolved, so have the clubhouses. The first clubhouse has been converted into a restaurant, the second clubhouse serves the Wailea Blue Course, and the third and most recent clubhouse serves the Gold and Emerald courses. The last clubhouse, built in 1994, is a 60,000-square-foot structure designed in the architectural style of a Hawaiian estate, with deep overhangs and walls that open to capture the prevailing trade winds and ocean views. The structure was designed to accommodate the Emerald and Gold courses as well as large group events and includes a large pro shop, a restaurant with dining terraces and private lounges, a subterranean barn for storage of 200 carts, and a facility for storage of 800 bags.

There are two types of club membership—regular and associate—both of which are limited to property owners. For regular members, the annual membership fee is \$1,875, plus \$19 per round, and for associate members, the annual membership fee is \$686, plus \$34.50 per round. Preferred starting times and reduced green fees are some of the privileges allotted the approximately 320 members. For nonmembers, the daily green and cart fees range from \$90 to \$115 for resort guests, depending on the season and the course, and from \$120 to \$145 for the general public.

HOTELS

The five major hotels along Wailea's hotel row range in size from 347 to 780 rooms and include the Outrigger Wailea Resort (formerly the Inter-Continental), the Renaissance Wailea Beach Resort (formerly Stouffer Wailea Beach Resort), Four Seasons Resort Maui, Grand Wailea Resort Hotel & Spa (formerly Grand Hyatt), and the Kea Lani Resort, an all-suites hotel. The sixth hotel, the Diamond Resort, is a 72-room, Japanese-owned hotel that sits on high ground, away from the beach. Together, the hotels offer more than 100,000 square feet of meeting space, including the largest ballroom in Hawaii, and function space for up to 3,200 people.

Wailea Resort's average daily room rate (ADRR) for 1999 was \$252.98, the highest in Hawaii for that year. The average annual occupancy rate (AAOR) for 1999 was 74%, the highest in the resort's 30-year history. The oldest of Wailea's hotels, the Outrigger, is undergoing a \$25 million renovation, and the Grand Wailea Resort is undergoing an \$11 million makeover. The trends in hotel development/renovation at Wailea have mirrored those in the industry as a whole: newer developments have focused on increased meeting facilities, more retail and dining facilities, larger rooms, and more programmed activities (e.g., kids, spas, exercise). There also has been an increasing trend toward joint marketing efforts, including, for example, the Senior Skins Game at Wailea and the Maui Film Festival at Wailea.

RESIDENTIAL DEVELOPMENT

Wailea Resort includes eight attached/multifamily projects totaling 1,358 units, and seven detached residential projects totaling 458 lots. As Wailea has matured and its reputation has spread, the demand for property there has

increased substantially. Resales of detached units routinely exceed \$1 million, and even lot sales have passed \$1 million in some cases. The nature of demand has been changing, however. While in earlier days lot sizes typically ranged from one-fourth to one-half acre, demand currently is spurring projects with one-half to two-acre lots. Similarly, residential units are getting larger. Projects formerly focused on studio and one-bedroom units, but demand now is for two-bedroom and larger units, ranging from 2,000 to 3,500 square feet. In one recent transaction, a ten-acre parcel, which formerly might have accommodated several dozen residential units, was presold to 14 buyers at an average of \$9 million each, as part of a proposed single-family detached condominium project. These trends, according to Clyde Murashige, senior vice president of Wailea Resort Company, Ltd., are based on two factors: more people are buying property at Wailea, wishing to make it a permanent residence; and there is an influx of younger, well-heeled dot.com homebuyers.

RETAIL

The 150,000-square-foot Shops at Wailea was 95 percent preleased before it opened. The project, which consists of a series of low-rise structures designed with motifs from old Honolulu architecture, includes four restaurants as well as upscale and Hawaiian-themed shops.

MARKETING AND MANAGEMENT

Marketing of Wailea Resort occurs through several channels, both traditional and nontraditional. Wailea Golf Resort, Inc., a sister company of Wailea Resort Company, Ltd., is responsible for the project's golf operations and marketing efforts, advertising in hotel in-room publications, golf magazines, and a newsletter for the Wailea community. No direct solicitations for Wailea real estate are made out of state due to legal issues surrounding real estate offerings. Instead, Wailea Golf Resort advertises through more indirect channels, such as sponsoring major golf tournaments including as the Women's Kemper Open (in the early 1990s) and the Senior Skins Game, which are televised nationally and internationally. Similarly, Shinwa Golf, Wailea Golf Resort's parent company, sponsors tournaments targeting the Japanese market.

A second nontraditional approach is the cosponsoring of major nongolf events. In recent years, Wailea Resort has cosponsored the Maui Film Festival at Wailea and the Maui Writers Conference, with an intent to make people aware of the resort and to bring them on site. This helps the hotels and leads, in many cases, to sales of residential property. Other marketing opportunities include working with European travel wholesalers as well as with domestic and international travel writers and publications.

To help leverage its efforts, Wailea Golf focuses on cooperative marketing ventures. In some cases, Wailea Golf has partnered with the several Wailea hotels; in others, it has partnered with Maui County. The Maui Film Festival and the Maui Writers Conference were similarly cosponsored with outside entities.

Supplementing the work of the owner's development arm (Wailea Resort Development Company) and its marketing arm (Wailea Golf Resort, Inc.) is the Wailea Community Association (WCA), the project's property owners association. WCA attends to three major functions among a variety of duties: landscape maintenance, security, and design review. In addition to overseeing the landscape maintenance of the privately held properties, WCA attends to the landscaping of public roads, parking lots, and beach access elements, maintaining the high level and unified appearance of the resort's public areas.

EXPERIENCE GAINED

- After nearly 30 years of development, Wailea Resort has an appeal that continues to propel it through changing market conditions. Demand for Wailea hotels, residences, and golf is increasing, partly because of the investment that the developer has made, and continues to make, in landscaping and design. Part of the increase also is due to the synergy of uses: the golf facilities create demand for the hotels and residences, and the hotels and rental condominiums expose visitors to the residential side of the resort.
- The position of golf in Wailea's organization has changed over the years. Initially, golf served simply as an amenity for the residences and hotels. Today, with three beautiful and highly regarded courses, the emphasis has shifted. Says Clyde Murashige, senior vice president of Wailea Resort Company, Ltd., "Golf has gone from being an amenity at Wailea to being a profit center."
- Part of Wailea's success also is due to what Luly Unemori, public relations manager of Wailea Golf Resort, calls "the Wailea Way," which refers to the openness of Wailea and its outreach to the community. This openness takes a variety of forms: the project's public beach access, the public nature of the golf courses and clubhouses, the hotels' availability for community functions, and the fundraising activities sponsored by Wailea Resort on behalf of local charities and nonprofit organizations.

PROJECT DATA			
LAND USE INFORMATION			
Use	Acres	Percentage of Site	
Detached residential	254.3	17.7	
Attached/multifamily residential	326.6	22.8	
Hotel	153.2	10.7	
Golf course	509.0	35.5	
Roads	73.0	5.1	
Common open space	37.7	2.6	
Other:			
Business	73.9	5.2	
Maintenance	6.4	0.4	
Total	1,434.1	100.0	
RESIDENTIAL UNIT INFORMATION			
Unit Type	Lot Size (square feet)	Unit Size (square feet)	Number of Units Planned/Built
Various	7,700-20,037+		458/65
Various		984-1,287 min.	1,358/1,302
HOTEL ROOM/TIMESHARE UNIT INFORMATION			
Number of separate hotels: 6 Total hotel rooms planned: 300 Total hotel rooms completed: 2,556 Average daily room rate: \$252.98 (1999) Average annual occupancy rate: 74% (1999)			
DEVELOPMENT COST INFORMATION (TO DATE)			
Site acquisition cost: \$550 million Site improvement cost: \$835 million Construction costs: \$1.14 billion Soft costs (architecture/engineering): \$178 million Total development cost (to date): \$2.15 billion Total development cost expected at buildout: \$2.3 billion			
DEVELOPMENT COST INFORMATION (TO OCTOBER 2000)			
HOTELS			
Design (A&E): \$115 million Site work (mass excavation, fill, and grading): \$154 million Infrastructure Water: \$19 million Sewer: \$15 million Roads: \$21 million Electrical: \$22 million Telephone/cable: \$14 million Building: \$1 billion Landscaping: \$290 million Total: \$1.65 billion			
CONDOMINIUMS			
Design (A&E): \$16 million Site work (mass excavation, fill, and grading): \$15 million Infrastructure Water: \$6 million Sewer: \$5 million Roads: \$7 million Electrical: \$5 million Telephone/cable: \$3 million Building: \$106 million Landscaping: \$44 million Total: \$207 million			
SINGLE-FAMILY SUBDIVISIONS (does not include construction costs of individual homes)			

Design (A&E): \$3 million
 Site work (mass excavation, fill, and grading): \$24 million

Infrastructure
 Water: \$2.5 million
 Sewer: \$2 million
 Roads: \$4 million
 Electrical: \$1.5 million
 Telephone/cable: \$0.5 million

Landscaping: \$7 million
 Total: \$44.5 million

COMMERCIAL

Design (A&E): \$5 million
 Site work (mass excavation, fill, and grading): \$3.5 million

Infrastructure
 Water: \$2 million
 Sewer: \$1.5 million
 Roads: \$3 million
 Electrical: \$1 million
 Telephone/cable: \$0.5 million

Building: \$29 million
 Landscaping: \$9.5 million
 Total: \$55 million

COMMON AREAS

(roads, water and sewer systems, electrical and telephone/cable lines, beach walkway, beach access and parking, public park, water tanks)

Design (A&E): \$10 million
 Site work (mass excavation, fill, and grading): \$12 million

Infrastructure
 Water: \$21 million
 Sewer: \$11 million
 Roads: \$24 million
 Electrical: \$5 million
 Telephone/cable: \$3 million

Building: \$1 million
 Landscaping: \$15 million
 Total: \$102 million

GOLF COURSES

Design (A&E): \$3.5 million
 Site work (mass excavation, fill, and grading): \$35 million

Infrastructure
 Water: \$2 million
 Sewer: \$2 million
 Roads: \$2 million
 Electrical: \$2 million
 Telephone/cable: \$1 million
 Building: \$29 million
 Landscaping: \$17 million
 Total: \$94 million

SITE ACQUISITION COST: \$550 million

TOTAL DEVELOPMENT COST TO DATE: \$2.15 billion

EXPECTED DEVELOPMENT COSTS TO FINISH RESORT: \$170 million

TOTAL DEVELOPMENT COST EXPECTED AT BUILDOUT: \$2.3 billion

DEVELOPMENT SCHEDULE

Site purchased: 1957
 Planning started: 1957
 Construction started: 1971
 Sales started: 1974
 Phase I completed: NA
 Project completed: 10–15 years to buildout

DIRECTIONS

From Airport: Take Dairy Road, turn left onto Puunene Avenue, which turns into Mokulele Highway. After ten to 15

minutes, turn left onto Piilani Highway, and turn right onto Wailea Ike Drive when Piilani Highway ends.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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The Wailea Blue Course, designed by Arthur Jack Synder in 1972, is bordered by multimillion-dollar homes and is the only golf course at Wailea to have residential development nearby.



The Wailea Gold Course, designed by Robert Trent Jones, Jr., is the most rugged and natural of Wailea's courses—all green grass. Original lava-rock walls built by early Hawaiians were incorporated into the course.



The Wailea Emerald Course, designed by Robert Trent Jones, Jr., features exotic flowers and ocean views. *Golf for Women* magazine designated it among the best courses for female golfers in the country.



The Grand Wailea Resort Hotel and Spa is one of six resort hotels at Wailea. Together, the Wailea hotels offer more than 100,000 square feet (9,300 square meters) of meeting space and the largest ballroom in Hawaii, with space for up to 3,200 people.



COURTESY WAILEA GOLF RESORT, INC.

Wailea Golf Vistas is one of approximately 15 residential projects at Wailea, ranging from single-family detached lots to attached multifamily condominiums. Trends in residential development are turning away from studio and one-bedroom units to units with two or more bedrooms due to the increase in sales to buyers seeking a permanent residence or to younger, well-heeled dot.com buyers.



Site plan.