

Kailua-Kona

Entitled Hotel Development Site

Long-Term Ground Lease Opportunity





Executive Summary

Lili'uokalani Trust is seeking a hotel developer for an 11.48 acre CG-10 zoned parcel fronting Queen Ka`ahumanu Highway at the gateway to the village of Kailua-Kona in West Hawaii. The site presents the opportunity to develop multiple and/or co-branded hotels. This opportunity is prominently positioned at the entry to Kailua-Kona with excellent visibility along Queen Kaahumanu Highway (Hwy 19) with approximately 925 lineal feet of frontage.

The site is conveniently situated between Kona International Airport and the resort town on the Kona Coast of the Big Island of Hawaii, which serves as the center of commerce and tourism for West Hawaii. The property is also situated near major shopping centers and restaurants, and across the street from the new Keahuolū Courthouse (aka Kona Judiciary Complex).

The main "business and industrial areas" in Kona are located to the north of Alii Drive and supports the numerous businesses located along the 50-mile coastline. The IRONMAN World Championship is a 140.6-mile triathlon which takes place in Kailua-Kona each year with an estimated 2,000+ athletes competing.



Property Summary

Address

NW corner of Makala Blvd and Queen Kaahumanu Hwy, Kailua-Kona, HI 96740

Tenure

Leasehold

Land Area

11.48 acres

TMK Number

(3)-7-4-20-9

Zoning

CG-10

Height Limit

45 Feet

◀ Kona International Airport
6.6 miles / 10 minutes

Site

District Court
of Third Circuit

Kona Commons
Shopping Center

OLD NAVY ROSS
petco OfficeMax

Kona International
Marketplace

Queen Kaahumanu Hwy

Kona Crossroads

Bank of Hawaii
TARGET

Walmart

LOWE'S

ACE

O'Reilly AUTO PARTS

TOYOTA

Sack N Save

Central Pacific Bank

NAPA

KTA
SUPER STORES

SAFEGWAY

Mercedes-Benz

Longs Drugs

BMW

TACO BELL

Firestone

UPS

Kuakini Hwy

KONA BREWING CO.

KONA BREWING CO.

Palani Rd

Kona Seaside
Hotel

Shell

MARRIOTT

H
Hawaiian
Express

Uncle Billy's
Kona Bay Hotel

Kona Inn
Shopping Village

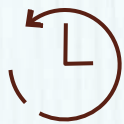
Regional Aerial

Property Highlights

- Excellent frontage and visibility on Queen Kaahumanu Highway
- Corner of Makala and Queen Kaahumanu Hwy is a signalized intersection
- Terraced land allows great views of the Kona coastline
- Prime Retail/Restaurant locations will give your business visibility and easy ingress/egress.
- 11-minute drive to Kona International Airport
- Entitlements, including water, have been secured

Opportunity Zone

The property is located within a designated Opportunity Zone which allows for a project to be structured as an Opportunity Zone investment. The program allows investors to utilize incentives including capital gains tax breaks by investing in a designated opportunity zone. Some ways investors benefit from Opportunity Zone Development:



Temporary Deferral

An investor can defer capital gains taxes until 2026 by putting/keeping unrealized gains in an Opportunity Fund.



Reduction

Original amount of capital gains on which an investor has to pay is reduced by 10% if the Opportunity Fund is held for 5 years.



Exemption

Any capital gains on investment made through the Opportunity Fund accrue tax-free as long as the investor holds them for at least 10 years

Short Term Vacation Rental Restrictions

The new short term rental laws are giving hotels, condominiums and those in properly zoned areas a larger percentage of the lodging market in the Big Island.



Conceptual Site Plan



Rendering is for illustrative purposes only, may not be accurately depicted and may be changed at any time.

Kona International
Airport

Third District Court of
the Third Circuit

Property Aerial

Rendering



Rendering



This rendering is for illustrative purposes only. The actual project may vary from the rendering and may be changed without notice.

Entitlements

Entitlements

An Environmental Impact Statement (EIS) has been approved and recorded in 1991. The Owner has received approval conditions set forth by the Land Use Commission. Some of the infrastructure requirements under the zoning approval include:

Roadway Improvements

Makala Boulevard and a signalized intersection at Queen Kaahumanu Highway (Hwy 19) have been completed and provide access to the site via Kamakaeha Avenue, which also has been completed to Palani Road (Hwy 190).

Utilities

Wastewater/Sewer Connection –

The development will connect to the Kealakehe Wastewater Treatment Plant via lines that have been installed within Kamakaeha Avenue.

Water - All offsite water requirements have been complied with and County water lines are available to connect within Kamakaeha Avenue. Water units will be assigned based on the final development plan requirements as agreed within the ground lease agreement.



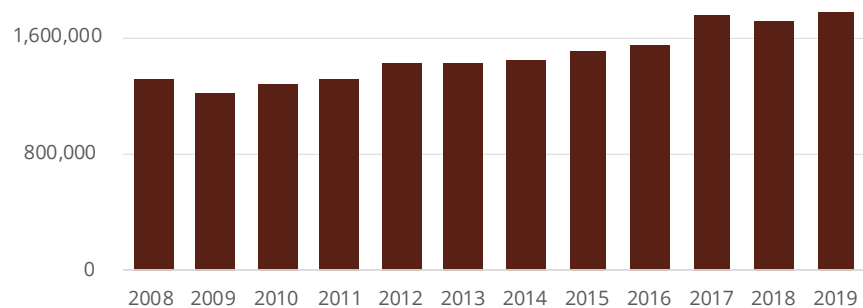
Images are for illustrative purposes only

Market Overview

Big Island Visitor Industry	2017		2018		2019	
	Kailua-Kona	Hilo	Kailua-Kona	Hilo	Kailua-Kona	Hilo
Visitors to the Big Island	1,511,189	661,226	1,488,700	601,160	1,567,353	611,917
Domestic Visitors	1,122,658	280,657	1,134,813	424,720	1,206,239	438,154
International Visitors	388,531	124,615	353,887	176,440	361,117	173,763
Total Expenditures (\$mil.)	\$2,132.90		\$2,349.00		\$2,325.70	
Per Person Per Day Spending (\$)	\$185.00		\$183.70		\$178.50	
Visitors to Hawaii Volcanoes National Park	2,016,702		1,100,000*		N/A	

*Hawai'i Volcanoes National Park was closed for 134 days due to unsafe and unpredictable volcanic activity

Big Island – Air Passenger Arrivals



Kona International Airport

Kona International Airport is only a 10 minute drive from the Property, allowing visitors quick and easy access.

- Direct International flights from Japan and Canada.
- Direct Mainland US flights from Anchorage, Seattle, Portland, San Francisco, Oakland, San Jose, Chicago, Denver, Los Angeles, San Diego, Phoenix and Dallas-Fort Worth.
- Servicing 10 Airlines including: Alaska, Hawaiian Airlines, United Airlines, Southwest Airlines, Southern Airways Express, American Airlines, Delta, Westjet and Japan Airlines.
- 1,779,526 annual air passenger arrivals and 114,222 aircraft operations, for an average of 312 flights per day in 2019



Kailua-Kona

TARGET

macy's

REGAL

Kona Commons Shopping Center
OLD NAVY ROSS DRESS FOR LESS
petco OfficeMax

Third District Court of the Third Circuit

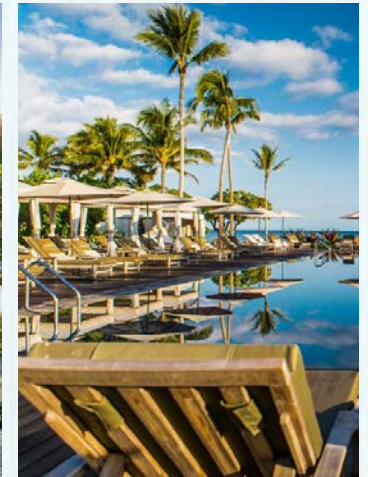
Site

Property Aerial

West Hawaii Resorts



#	Property	Hotel Units	Housing Units
1	Mauna Kea Resort / Hapuna Prince	602	350
2	Mauna Lani Bay Hotel / The Fairmont Orchid	350	1,109
3	Marriott Waikoloa Beach Resort / The Hilton Waikoloa Village	533	757
4	Four Seasons Hualalai Resort	243	330
5	Kukio Golf and Beach Club	n/a	378
6	Kohanaiki Golf and Ocean Club	n/a	500
7	Courtyard King Kamehameha's Kona Beach Hotel	460	n/a
TOTAL		2,188	3,424



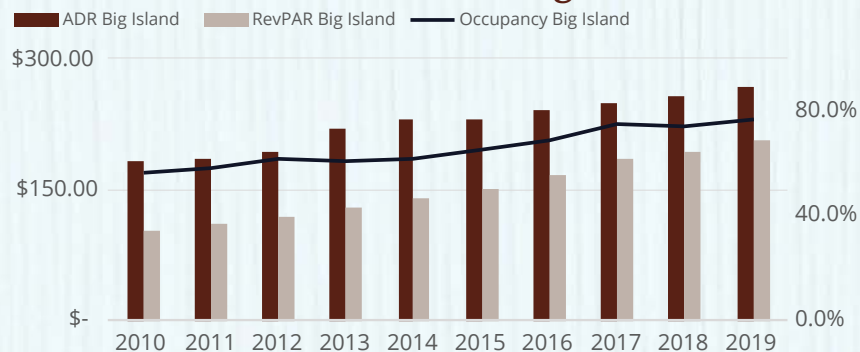


Hotel Market Overview

2019 Hotel Market Highlights

- Highest ADR in 2019 at \$283 above New York City (\$255) and San Francisco (\$251)
- ADR growth of 3.2% to \$267
- Highest RevPAR in 2019 at \$229 above New York City (\$220) and San Francisco (\$206)
- RevPAR growth of 6.6% to \$205
- Ranked third for occupancy at 81.2% behind New York City (86.2%) and San Francisco (82.0%)
- Occupancy growth of 2.5% points to 77.1%

Hotel Market Performance - Big Island



Big Island Hotel Unit Breakdown

	Hawaii Island		Kailua-Kona	
Hotel	5,782	55.0%	2,061	46.0%
Timeshare	1,893	18.0%	931	20.8%
Vacation Rental Unit	1,992	19.0%	1,160	25.9%
Condo Hotel	492	4.7%	245	5.5%
Other (1)	346	3.3%	86	1.9%
Total	10,505	100.0%	4,483	100.0%

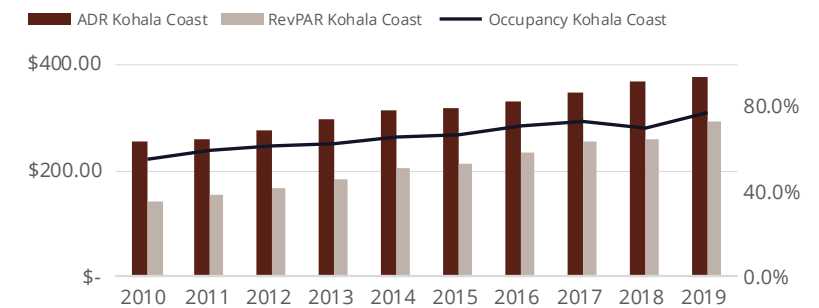
(1) Apartment, B&B, Hostel, Other

Percentage of Big Island Hotel Rooms by Class

	2017	2018	2019	2020
Budget (Up to \$100)	9.6%	10.1%	10.6%	10.7%
Standard (\$101 to \$250)	19.7%	21.3%	23.4%	24.5%
Deluxe (\$251 - \$500)	41.5%	38.8%	35.3%	32.7%
Luxury (Over \$500/Night)	29.2%	29.7%	30.7%	32.0%

Source: Hawaii Tourism Authority 2020 Visitor Plant Inventory

Hotel Market Performance - Kohala Coast



Contact Us

Andy Y. Kazama (S)

Vice President
Retail Services Division
Lic# RS-68575
808 523 9755
andy.kazama@colliers.com

Nathan A. Fong (B)*

Senior Vice President
Retail Services Division
Lic# RB-18123
808 295 2582
nathan.fong@colliers.com

*Nathan Fong Properties, LLC exclusively contracted to Colliers International HI, LLC

Jon-Eric Green (B)*

Senior Vice President
Retail Services Division
Lic# RB-17777
808 330 2900
jon-eric.greene@colliers.com

*Greene Property Group, LLC. Exclusively contracted to Colliers International HI, LLC



Lili'uokalani
Trust



220 S. King Street, Suite 1800
Honolulu, Hawaii 96813
808 524 2666
colliers.com

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