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Ritz-Carlton suites top out with \$176 million in sales

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KAPALUA — The new Residential Suites at the rebuilt The Ritz-Carlton, Kapalua came close to selling out over the weekend, a gratifying result in a clouded market.

Robert Webber, chief operating officer of Maui Land & Pineapple Co., said Monday that his company was “very pleased with the result in a challenging real estate market.”

ML&P, as a part-owner of the hotel, will eventually see some of the total of \$176 million show up on its bottom line.

According to S&P Destination Properties, which managed the private sale on Saturday, 40 percent of the buyers were foreigners. That included a Japanese purchaser who bought the the one Presidential Suite penthouse for \$6.4 million.

The average price was \$1.9 million for 93 suites. The lowest price was \$895,000.

Owners get full ownership of one- or two-bedroom suites, with an option of placing them into the hotel's rental operation.

There are 107 Residential Suites — a sort of ultraluxury section in one wing of the larger, 445-unit luxury resort hotel.

The remaining 14 will be offered to the public.

The Ritz-Carlton, Kapalua closed for half of 2007 for a \$160 million transformation, even though it is one of the newest of Maui's resorts — completed in 1991.

The project was just one part of an unprecedented and massive reconstruction of Kapalua Resort. The Kapalua Bay Hotel was demolished to be rebuilt as luxury residences, and some of the resort's famous golf courses also were shut down for renovations.

“Our symbol is the butterfly,” said Webber, and the openings and reopenings are akin to watching a butterfly emerge from its chrysalis.

“We have been working very hard to provide new amenities and features that will augment the experience of property owners and guests.”

Kapalua Resort recently opened its Mountain Outpost and Adventure Center, a way to allow guests to experience the mauka areas of the 23,000-acre resort.

The next major component will be a makai spa, scheduled to open next year. Permits have also been obtained for the central resort village, a mixed-use project.

The Ritz-Carlton, Kapalua and the Kapalua Bay Hotel are not the only Maui resorts to undergo a complete or nearly complete rebuilding. The Royal Lahaina Resort is being rebuilt in stages, and the Renaissance Wailea Beach Resort is being demolished and rebuilt as a Baccarat resort. The Maui Marriott was transformed into the Maui Ocean Club, and two decades ago one of the original upscale resorts on Maui, the Maui Surf, was closed to reopen as the Westin Maui.

But in none of those cases did an entire destination resort take so much of itself off line for as long as Kapalua Resort has — or returned to the upscale market with as much panache.

Besides the prime Japanese buyer, S&P found purchasers in Mexico, Europe and the Western U.S., as well as from Hawaii.

Jerry Landeck, senior partner at Gencom Group, which heads the partnership that owns The Ritz-Carlton, Kapalua, said, “We were confident that the response from consumers . . . would be extremely positive.”

Sid Landolt, president of S&P, speaking by telephone from Canada after leaving Maui on Sunday, denied that there was any nervousness about Saturday's sales project on Maui, despite the nervousness on Wall Street on Friday.

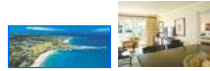
“Interestingly, we found the last week before we were able to sell an increasing interest rather than decreasing,” he said.

He attributed this to the existence of a two-tier real estate market.

One he calls the “overbuilt, commodity real estate market.” This is the one that worries Wall Street.

The other is “gold bar quality real estate.”

Article Photos



The Ritz-Carlton, Kapalua is located above Honokahua Bay and D.T. Fleming Beach Park.

The Ritz-Carlton, Kapalua photo

"It's hard to find," said Landolt. "Generally, people find it difficult to find a place to invest their money."

But, he said, investors are lured by "the quality of the real estate, the quality of Maui and the attraction of the Hawaiian Islands."

This weekend's sale was slightly cooler than the last big property that S&P managed in the state. In 2006, it sold \$700 million worth of Trump Tower Waikiki condos in a day.

Landolt said very few, if any, of Saturday's purchasers will choose to live in their units.

If they don't, they are limited to using the units for themselves for only 30 days a year.

The rest of the time, the suites will go into the hotel's management pool.

The owners will expect to realize revenue from those rentals.

"Properly designed and positioned real estate in world-class locations will always have strong market appeal," Landolt said.

Although some places have used the condominium ownership method of financing hotels, even modest ones, for decades, almost none of Hawaii's older resorts was financed that way.

Landolt said he expects that in the future, some Hawaii hotel projects "will be sold entirely as a hotel condominium" rather than being financed via the traditional methods of selling limited partnerships or borrowing from insurance companies, pension funds or other entities looking for long-term investments with a chance of appreciation.

Gencom, which was founded in 1987, develops mixed-use luxury real estate projects, usually centered around the hospitality business.

It has interests in 10 luxury resort-residential projects valued at \$6 billion, seven of them under the Ritz-Carlton brand.

It is now developing a super-Ritz brand to be called Ritz-Carlton Reserve. The first such property is going up in the Turks and Caicos islands.

There are no plans to make The Ritz-Carlton, Kapalua a Ritz-Carlton Reserve brand.

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