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HAWAII'S Complete SOURCE

LOCAL NEWS

Posted on: Thursday, April 1, 2010

Hilton commits 2-tower expansion to timeshares

Hilton Hawaiian Village's new towers will be timeshares

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By Alan Yonan Jr. Advertiser Staff Writer

Hilton has seen the future, and it is timeshare.



The two-tower expansion won't reduce the amount of green space in the area, since the structures will be built on existing lots. The project will also add retail space and swimming pools.

The global resort company said yesterday its planned two-tower, 550-room expansion at the Hilton Hawaiian Village will be devoted entirely to timeshare units, a fast-growing sector of the lodging industry.

Hilton officials cited the success of the company's Grand Waikikian Tower, a timeshare project completed in late 2008 on the 22-acre campus of the Hilton Hawaiian Village. The tower, operated by Hilton Grand Vacation Club, recently eclipsed \$1 billion in sales, and the company said it is looking to get more supply in the pipeline while demand is strong.

"This expansion will give us enough product to sell well into the next decade," said Ted Middleton, Hilton's senior vice president of development, the Americas. "It's very important to have new inventory to dovetail into the growing demand," he said at a news conference to announce the project.

Construction on the first tower, a 37-story, 300-unit building to be built on the site of a bus-loading area along Kalia Road, is expected to start sometime in 2013 and be completed in 2015. Construction on the second tower, a 25-story, 250-room building, is projected to start five years later on the site of the current Rainbow Bazaar shopping area next to the resort's parking garage.

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The project also will include additional swimming pools and retail space. The project meets all current zoning and density requirements, but will have to undergo an environmental review, said Jerry Gibson, area vice president and managing director for Hilton Hawaii.

When completed, the expansion will result in 700 new jobs at the hotel, Gibson said. It also will generate an undetermined number of construction jobs as it is being built.

## RISING POPULARITY

Hotel companies have been shifting their room mix to include a larger share of timeshare units in recent years. Because they are prepaid, timeshare memberships provide hotels with higher occupancy rates and a more steady stream of revenue, even during times when the visitor industry is slumping.

The Disney resort being built at the Ko Olina Resort will have a mix of 480 timeshare units and 350 traditional hotel rooms. And Kyo-ya Hotels & Resorts says its redevelopment of the Princess Kaiulani hotel in Waikīkī will include a timeshare component.

The growth trajectory of Hawaii's timeshare sector over the past decade has been steep. The number of timeshares has risen sharply from about 4,815 units in 2002 to more than 8,000 units today.

"Timeshare obviously is one of the growth areas for the state," said Joseph Toy, president and chief executive officer of Hospitality Advisors LLC, a local visitor industry consulting firm.

"Previously most of the timeshare inventory had been concentrated in Kaua'i, and indeed we're now seeing the expansion of the timeshare market to the other islands."

Toy said the trend is healthy for the industry and the overall economy because it "diversifies our product base for the growing diverse demand from the visitor market."

The project will cost in the "hundreds of millions of dollars," Middleton said, but he did not provide a specific amount.

There will be no net loss of green space because the new towers will be built on existing developed areas, said Norman G.Y. Hong, chief executive officer of Group 70, the firm that is designing the project.

## LATEST UPGRADE

The new rooms will be added to the resort's current inventory of 3,627 rooms. Existing floor space will increase to 3.8 million square feet from 3.2 million square feet. The density will increase, but will not exceed limits under Waikīkī Special Design District rules, Hong said.

Hilton executives are scheduled to make a presentation on May 11 to the Waikīkī Neighborhood Board.

"I'm very pleased it will be creating 700 new jobs," said Bob Finley, Waikīkī Neighborhood Board chairman. "I'm very pleased that the labor unions will have work for the next 10 years. I'm very pleased that we will be expanding the tax base. People are finally beginning to understand that Waikīkī businesses contribute so much to our vital services."

The Hilton facelift is the latest in a series of large-scale upgrades in Waikīkī over the past five years, including Outrigger's Beachwalk project along Lewers Street, Kyo-ya's renovation of the Royal Hawaiian and Sheraton Waikiki hotels, and the Royal Hawaiian Center.

Additionally, Kyo-ya is preparing to launch a \$700 million overhaul of its Princess Kaiulani complex that will include a new beachfront hotel.

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