



IMANAKA KUDO & FUJIMOTO

HAWAII CONDO FAX

A Faxletter on Condominium Development Issues in Hawaii

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The Impact of Timeshare and Condominium Conversions in Hawaii

The Hawaii Tourism Authority (“HTA”), working together with the Department of Business, Economic Development and Tourism recently released a report prepared by Hospitality Advisors LLC entitled “*Analysis of Trends in Accommodations Supply, with Focus on Condominium and Timeshare Conversions*”, providing an overview of Hawaii’s visitor accommodations industry since the mid 1990s. The report found that:

- Between 2000 and 2004, 14 hotel and condo hotel properties, representing a total of 2,687 units, underwent conversion to condominium status. Of the 2,687 hotel and condo hotel units that have been converted to condo hotels, 917 were permanently removed from transient hotel use.
- Statewide accommodations inventory is anticipated to increase slightly from 72,509 units in 2004 to 77,734 units by 2010. During this time, approximately 3,225 traditional hotel rooms are expected to undergo condominium and timeshare conversion, with the majority of the converted rooms expected to be available for visitor use through condominium and timeshare hotel rental pools.

Although the inventory of traditional hotel rooms is decreasing, the report recognized that a more experienced travel base is seeking non-traditional travel accommodations. Although traditional hotels continued to comprise the majority of available lodging inventory in Hawaii from 2000 to 2004, exclusive hotel use by visitors to Hawaii is decreasing while visitors’ use of alternative accommodations, such as timeshares, resort

condominium projects and cruise products have increased.

The report also recognized that the comparatively weaker demand and returns for budget and economy properties have let some owners to convert these properties into condominiums, selling to private individuals who could then contribute their units to a hotel pool. According to Rex Johnson, President and CEO of HTA, “[t]he trend in conversions have actually helped generate new investment into many of our budget and economy hotels that otherwise would have continued to deteriorate in the market.”

The entirety of the HTA Report is available at www.hawaii.gov/tourism.

*‘A ‘ohe pau ka ‘ike i ka hālau ho‘okāhi
All knowledge is not taught in the same
school. One can learn from many
sources.*

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