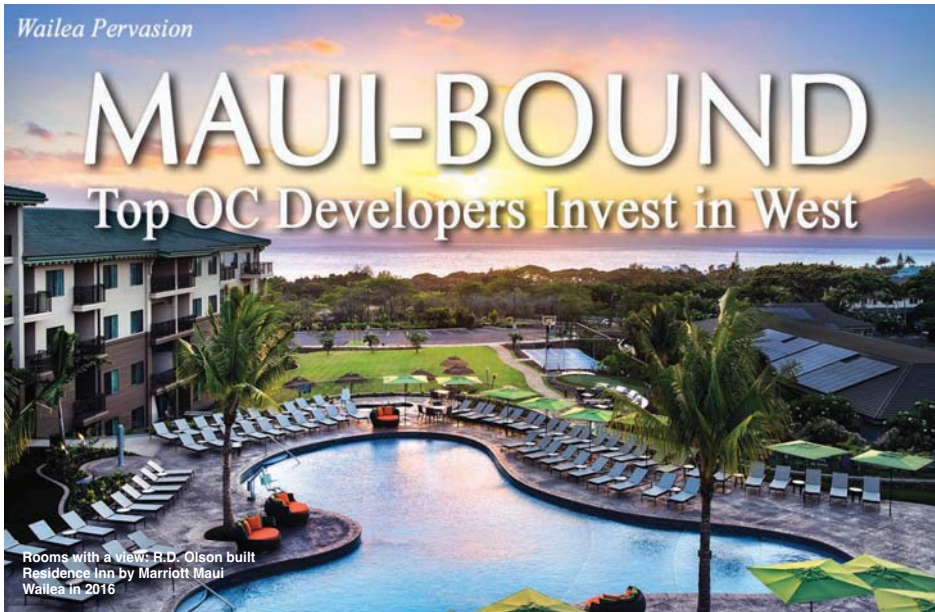


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Rooms with a view: R.D. Olson built Residence Inn by Marriott Maui Wailea in 2016

Recent Hotel, Retail Investments Near \$1B

By MARK MUELLER

Fly about 2,500 miles west from John Wayne Airport to Maui, then drive half an hour to the resort area of Wailea, and you could be forgiven for thinking you're still in Orange County when you notice the number of real estate investors and developers taking up shop.

OC-based real estate firms' investments in the master-planned community on the southern end of the island are nearing \$1 billion over the past four years, thanks to a flurry of hotel and retail deals.



Burnham: Wailea is 'Maui's best location'

More is on the way, with a boutique hotel and an expanded retail center in the works along the main entranceway to the community.

Wailea has always been a good real estate bet, area investors say.

It's "Maui's best location," said **Scott Burnham**, chief executive of Newport Beach-based **Burnham USA Equities Inc.**, whose family was one of the earliest to settle in Wailea, moving there in the 1970s.

More recently, the area has benefitted from cheap air-
► *Wailea 10*

Chipotle's Landing Spot: 2 Newport Center Floors

RESTAURANTS: Site prepped for 125 staffers at start

By MARK MUELLER

Chipotle Mexican Grill Inc. is poised to become Newport Beach's most valuable public company immediately following its move here from Denver this year.

Building the fast-casual burrito builder into one of the city's largest employers will take a bit more time, based on the amount of office space it plans to occupy in New-
► *Chipotle 58*



Niccol: 'There's a lot of talent in the West.'

Forget Tariffs; ZTE Ban Could Hit Local Firms Hard

TECHNOLOGY: Chinese giant major OC trading partner

By CHRIS CASACCHIA

A U.S. ban imposed on China's second-largest telecommunications equipment maker, lifted on July 13, has already pinched sales at **Skyworks Solutions Inc.** and is affecting several other Orange County technology companies with headquarters or major operations here.

► *ZTE 9*



Schafer: analyst says losing ZTE would trim sales at Skyworks

Gallegos Takes Milk Board Into 21st Century

ADVERTISING: 'got milk' makes way for kid-driven ads

By SUBRINA HUDSON

A television spot shows three kids sitting in a diner complaining about their beleaguered lives over glasses of cold milk.

One girl asks the boy in front of her about his "allowance negotiations." He

► *Gallegos 27*



Gallegos: agency United CEO

Galaxy's Edge Not So Far Away

Patents Point to Parent's 2019 Pledge

By PAUL HUGHES

A slew of U.S. patents issued over the last 10 weeks to **Disney Enterprises Inc.** give expression to experiences planned for Star Wars: Galaxy's Edge, the new 14-acre "land" at **Disneyland Resort** that **Walt Disney Co.** plans to open by next summer.

The patents also reveal ever-developing aspects of virtual reality, augmented reality, mixed reality and immersive interactivity in entertainment offerings.

Burbank-based Disney owns the resort and Disney Enterprises, which manages intellectual property for the parent company.

Specific opening dates for Galaxy's Edge haven't been announced, but Walt Dis-
► *Patents 57*



Payoff: VR experience at Downtown Disney's The Void dropped an early hint of what's coming to Galaxy's Edge

MAIL TO:

3 Illumination Foundation in Irvine draws investors to 'break the cycle of homelessness'



4 Family-owned restaurant chain renamed Rodrigo's Mexican Grill

THE LIST

TENANT-IMPROVEMENT CONTRACTORS
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Sunstone's Star: REIT bought resort in 2014 for \$600,000 per room. 'Easily worth \$1 million a key' today, Sunstone CEO Arabia told analysts this year

Wailea

► from page 1

fare to and from Maui, bringing more visitors, which has in turn brought about synergies for property owners, **Sunstone Hotel Investors Inc.** Chief Financial Officer **Bryan Giglia** told analysts this year.

Wailea is home to one of the Aliso Viejo-based real estate investment trust's biggest and most successful deals in recent years. Sunstone paid \$325.7 million in 2014 for the 544-room Wailea Beach Marriott Resort & Spa on 22 acres in Maui, one of several upscale resorts in the community.

The Wailea area has more than 3,500 luxury hotel rooms.

The Wailea Beach Marriott deal, made with an affiliate of New York-based **Blackstone Group LP**, worked out to nearly \$600,000 a room.

The site now has 547 rooms and is "easily worth \$1 million a key," Sunstone Chief Executive **John Arabia** told analysts this year.

Part of the increase is due to increased hotel valuations generally, but also a result of an extensive property makeover completed last year at what's now called Wailea Beach Resort-Marriott, Maui.

Sunstone initially earmarked about \$65 million for renovations but eventually spent \$100 million.

Along with refurbishment of individual rooms, money was poured into new swimming pools and high-end restaurant space, revamped meeting space, and a new, \$14 million water park, said **Sam Spurrier**, senior account executive at the resort.

The changes have brought in new clientele. "We're getting a lot more corporate guests, and more corporate events," Spurrier said last month on a tour of the property. The resort's main ballroom can fit about 1,000 people.

The increased investment has been well worth it, Arabia said.

Based on other recent Wailea deals, "we estimate the implied value of the hotel to handily surpass \$600 million, which would imply shareholder value creation of approximately \$150 million to \$200 million over our total investment," he told analysts in May.

Average daily rates stood at about \$426 at

Sunstone Hotel Investors Inc.

- **HEADQUARTERS:** Aliso Viejo; moving to Irvine this year
- **BUSINESS:** hotel investor
- **FOUNDED:** 1995
- **TICKER SYMBOL:** SHO (NYSE)
- **FISCAL 2017 REVENUE:** \$1.2 billion
- **RECENT EARNINGS:** \$38.5 million March quarter
- **MARKET VALUE:** about \$3.8 billion
- **NOTABLE:** second IPO 10/20/2004, \$17/sh. Closed 7/12/2018, \$16.88/sh. With reinvested dividends, 85% return, 4.6% annually



Wailea Village: developer's retail center expansion will be blend of OC Mix, 'days of Hawaii' simpler and easier lifestyle'

the end of last year, up about 32% year-over-year, according to Sunstone's last annual report. It was the only one of Sunstone's 25 properties where ADR topped \$400 at that point, and was just one of three where ADR topped \$300. Sunstone's Hyatt Regency Newport Beach, its only local property, had a \$159 ADR.

According to TripAdvisor's user rankings, Sunstone's Maui property ranks fourth among Wailea's 16 hotels.

"We are now viewed as one of the premier Wailea resorts," Arabia said.

Olson Duo

Ranking sixth on TripAdvisor is another hotel with OC ties, the Residence Inn by Marriott Maui Wailea.

The 200-room hotel on six acres is about half a mile from the ocean and the Sunstone resort. It was built in 2016 by Newport Beach-based **R.D. Olson Development**. It was the privately-held company's second Maui hotel after a Courtyard by Marriott near the island's main airport that opened in 2012. Nightly rates at the Wailea hotel are about \$340, around 30% below Sunstone's rooms.

R.D. Olson plans a third Maui hotel on

three acres next to the Residence Inn in Wailea.

The boutique project, listed in planning documents as Hotel Ike Wailea, would be four stories and have 110 rooms.

As proposed, it would include an "infinity pool, (a) great bar, lots of balconies and ocean views," according to R.D. Olson Vice President **Jonathon Vopinek**.

It would likely be more targeted to couples than the adjacent Residence Inn, a more family-focused hotel, which is Wailea's first extended-stay hotel.

The project is still in the entitlement process. A construction schedule and the hotel brand haven't been disclosed.

Return to Roots

R.D. Olson's Residence Inn sits across the street from the latest Wailea retail development, which also has an OC-based backer, Burnham USA.

Scott Burnham, whose family has other area property, bought the 6.3-acre Shops on the Green in 2015, a 22,000-square-foot center next to Wailea's main golf course. It's upgraded the space and renamed it Wailea Village.

A 23,000-square-foot extension underway will roughly double the property's size.

The redesigned, outdoor-focused retail center is "for both visitors and community alike," said Burnham, who's working with R.D. Olson and **Joe Ueberroth's Bellwether Financial Group** to finalize plans to redevelop the Dana Point Harbor area here in OC.

The Wailea Village additions are designed similarly in some respects to some Southern California properties Burnham USA and affiliates have built, including the new Long Beach Exchange shopping center near Long Beach Airport, and Costa Mesa's South Coast Collection and OC Mix center.

Other aspects are much more Hawaii-specific, according to Burnham.

The vision of the center "is a return to the days of Hawaii's simpler and easier lifestyle" through a mix of smaller and unique boutiques not found elsewhere in the area, he said.

It's near the area's largest upscale retail spot, the 161,000-square-foot Shops at Wailea, which sold in 2015 for a reported \$342 million, or roughly \$2,100 per square foot. ■