

A Developing Situation

Hawaii has never seen a luxury project like the Watermark, says Keith Fernandez, starting with new technology that does not require those noisy piledrivers

By *SUSAN K. SUNDERLAND*

There's an ongoing debate about expatriates who return home to re-establish ties and bring newfound expertise to the islands. Can they make the transition once they've experienced life in the fast lane of an outside community? Does Hawaii become too provincial or insular for their broader view of the world? Or, do Hawaiian values and island perspectives follow them wherever they go?

We put those questions to Keith Fernandez, 53, president of Intracorp San Diego/Hawaii, developer of the new Watermark condominium in Waikiki. Haven't heard of him? Well, read on, because he and his company will likely have a significant impact on residential development in our community.

First some background. Fernandez is a local boy, one of four children born to Charles and Ellen Fernandez. He attended Punahou School (class of 1970) on a sports scholarship and was lineman on the Buffanblu football team under legendary coaches Dave Eldredge and Charles Ane. His aunt is the late Billie Beamer, former director of Hawaiian Home Lands and 1990 GOP lieutenant governor nominee.

He says he's "a hair under half-Hawaiian," with the other half being Chinese, English, Portuguese ethnicity. Fernandez came from a modest family with a hard-working dad who wanted the best education for his kids.

"My peers came from affluent families," Fernandez says. "Dad drove a green Plymouth Satellite with frayed upholstery, and I was embarrassed to be dropped off at school. I had to deal with the social and economic differences, but it motivated me a lot."

Punahou provided a firm foundation of scholarly values and character-building that he credits for personal success. "I have



Keith Fernandez in a sample Watermark kitchen: 'We've learned a lot about living amenities'

fond memories of Punahou," he says. "I had great teachers, coaches and traditions that gave me confidence to excel."

Fernandez got a business degree from the University of Colorado and became a stockbroker in San Francisco. After one-and-a-half years, he returned to Honolulu and applied to UH graduate school.

About that time, Bishop Estate was forming Helumoa Land Co. to develop the Royal Hawaiian Shopping Center. They were looking for a college graduate to help

with construction coordination and tenant leasing. Bishop Estate's Dick Wong, Louis Kau and others mentored Fernandez in the real estate development process.

"This is exciting," Fernandez thought and got immersed in the business that would become his future. He finished graduate studies and got an MBA at the University of San Francisco.

In San Francisco, Fernandez was introduced to the head of real estate at Transamerica, a financial company with

a then-diverse portfolio including Budget Rent a Car, Trans International Airlines, and United Artists. From the 17th floor of the landmark Transamerica pyramid on Montgomery Street, he managed real estate projects in Chicago, New York, California and Detroit.

In the mid-'80s during California's real estate boom, Fernandez became a partner in a joint venture that developed sub-

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divisions in Northern and Southern California. But his contacts in Hawaii, such as Bishop Estate's Oswald Stender and Castle & Cooke's Warren Haight, kept his phone ringing with other opportunities. In the mid-'90s, he helped with a shopping center in Palm Desert and became involved in the development of Molokai Ranch.

In 1997, he was contacted by Intrawest, a successful resort enterprise with links to Canada and the U.S., to start a residential development unit in San Diego. That company is today known as Intracorp San Diego/Hawaii (ISDH), part of the Intracorp Companies, a leader in development and management of residential, commercial and industrial properties.

With 20 years' experience in real estate, Fernandez moved to San Diego for new challenges. San Diego proved to be the perfect venue for making his mark as a developer. But it was a bit like facing foes on the football field. There were barriers and naysayers to overcome in a new community. His first project was a downtown condominium called 235 on Market.

As *San Diego* magazine reports, "A consultant told Keith Fernandez there was no way anybody could pre-sell downtown San Diego condominiums. Fernandez chose to ignore the advice. His hunch was right. Seven days after opening a sales office, Intracorp had banked \$5,000 reservation checks from potential buyers of all 52 units in its 235 on Market property."

"We didn't do any advertising for it — just a sign on the property with our phone number. More than 400 people showed up. We had three buyers for every unit. That's when we knew we were on to something," Fernandez says.

Pre-selling an un-built project in one week was auspicious. He sensed that young entrepreneurs and empty-nesters would lead the charge to buy into revitalized downtown San Diego.

With more than \$350 million in sales since its inception, ISDH continues to expand its portfolio of 12 residential properties comprised of 1,500 units, 600 of which are currently in development or planning stages. Fernandez' biggest worry? "I'm scrambling for more sites," he says.

Intracorp's entry to the Hawaii market is *deja-vu*. Like San Diego, the company is building its first project here after a long period of no-new-condo-construction. Several months ago,

Intracorp purchased the land and development plans for Watermark Waikiki from Los Angeles-based Irongate Ala Wai Investors LLC. The property is at 1551 Ala Wai Blvd., bordered by Hobron Lane and Lipeepe Street.

The 3.65-acre site was previously occupied by three-story apartment buildings, some of which were vacant and in poor condition. Watermark will be a 38-story luxury high-rise with 212 condo units ranging in price from \$800,000 to over \$1 million.

"This acquisition is an exciting opportunity to bring our unique development strategies to Hawaii," Fernandez says. "We were attracted to the development potential of the location, as well as the well-designed project prepared by Irongate."

Construction on the \$175-million project begins in November, with completion expected in late 2007. Ground testing is taking place, in preparation for auger cast-in-place piling. Neighbors will love the cutting edge technology being employed by contractor Hawaiian Dredging & Construction: No noisy pile drivers are used. A hollow-shaft auger is drilled into the soil, then cement grout is pumped under pressure through a hollow stem. The resulting column hardens in place to form a reinforced concrete pile.

It's the foundation to what Fernandez envisions as "Shangri-la" on the Ala Wai.

"We've learned a lot about living amenities. It is highly unusual to have an urban product that's a private enclave in a lush, tropical environment. Here, we have 3.65 acres — four times the size of the largest development we've done in San Diego — with majestic views and a neat setting on the Ala Wai canal. There will no be retail or commercial activity on the ground level. That has an impact on privacy and tranquility."

At the Watermark, residents will arrive to a spacious open-air lobby, surrounded by private gardens, vine-covered trellises, and picnic areas. Two-bedroom, two-bath residences range from 1,070 to 1,269 square feet.

Roomy lanais span 67 to an amazing 1,110 square feet. Floor-to-ceiling glass windows in the living room and eight-foot ceilings add to the ambiance.

The project's architects are Guerin Glass of New York and Architects Hawaii Ltd. Philpotts & Associates, local interior designer, has integrated natural materials and classic elements into

"We like environments like that," says Fernandez. "You need good players in the market so you don't have issues of a supply-constraint market."

"However, the challenge for Hawaii will be generating the resources — manpower and materials — to meet market demand," he adds, noting his business is not for the meek at heart.

rary design, elegance and features not currently available on Oahu. Waikiki needs new housing stock to keep pace with the demand for home ownership. By providing this new type of housing, we can attract new residents who will bring fresh ideas, a renewed aloha spirit, and a stronger pride of ownership to Waikiki.

"My feeling moving forward is that there are different dynamics now. Hawaii is not as reliant on Japanese investment. The China market is going to have a huge impact, along with Korea and the West Coast. Couple that with the dynamics of baby boomers and even the aftermath of 9-11 ... at the end of the day, it's going to have a positive effect. These dynamics will not leave Hawaii as susceptible as it was 10-15 years ago. The drivers today are more segmented. Inflation or bubble that might occur will not have the same effect in Hawaii as you might see in the California market," he says.

"What I do worry about in both San Diego and Hawaii is how we police ourselves as developers. With the rush of developers coming to town, some of whom might not be as sophisticated as others, who will be without a chair when the music stops?" he wonders. "We have to be careful about supply and demand dynamics."

"Clearly, the market's going to tell me if I'm doing a good job," Fernandez says about accountability. "We have to be agile, especially as a private company. We're not going to hit grand slams all the time. We like singles and doubles, and we want to be able to play the game another day. We're very focused on execution, risk and markets."

So, Keith Fernandez is living proof that one can go home again. He is a role model for the reverse brain-drain that Hawaii is experiencing with talented Islanders bringing home expertise and skills honed in international markets.

"This is great; it's a dream," Fernandez says of his regional responsibilities. "Hawaii is near and dear to me. I have wonderful friends here."

Do Hawaiian values — things he learned growing up in the Islands — play into business success? Fernandez answers, "It has transcended to how I run the company and how I interact with people."

Moral: Welcome home expatriates. You can take the boy out of the Islands. But you can't take the Islands out of the boy.

Thank goodness.



Keith and Kelly Fernandez with children Julie, Scott and Andrew

public spaces and residential units to be reminiscent of high-end Hawaiian estates.

Watermark sales began in late August and units are almost a third sold, according to Fernandez. "We hope to be at 40 percent by year-end, and we will have another release in spring. We have confidence in the product, location, and market that we can manage the sales process."

There's lot of interest from local, West Coast and Asian buyers from Japan, Korea and the Philippines. It follows a statewide pattern in condo development and sales.

Condo development is outpacing development of rental units. Condo sales have increased by more than 10 percent across the board. The market is hot, and competition is heating up among private and public developers.

But it is a business for visionary creators of property value and luxurious living. Like his favorite activity, surfing, Fernandez is riding the crest of a wave.

"Waikiki represents a microcosm of the Hawaiian Islands. It's a melting pot of locals, visitors from around the world, and a place where business travelers/conventioners can all gather and enjoy Hawaii's most popular destination. Waikiki is one huge amenity with beaches, restaurants, hotels, the convention center, condos, timeshares, etc. In San Diego's redeveloping downtown we promote: live, work and play. Waikiki can promote: live, work, vacation and play."

"Regarding Waikiki redevelopment, I strongly feel some of the new projects like Lanikea and the Watermark offer contempo-