Change = Opportunity

By Dr. Richard Kelley

“Change is the only constant in life.”

That thought, attributed to the ancient Greek philosopher Heraclitus, has certainly been on my mind this week following our company’s announcement that we have entered into an agreement with an affiliate of Denver-based KSL Capital Partners, LLC (KSL), under which KSL will acquire Outrigger Hotels Hawaii. KSL will thus own and operate Outrigger and all of our multi-branded portfolio of hotels, condominiums and vacation rental properties and other assets.

Yes, this is a major change – a good change. Let me explain what it means and describe the important opportunities it creates for the members of the Outrigger ‘ohana and the communities we serve.

We live in a world changing more rapidly than anything I have experienced in my life. Advances in technology have changed virtually everything companies and individuals do to operate their businesses and compete for customers.

Size matters!

That is why visitor industry giant Marriott International recently purchased Starwood Hotels & Resorts Worldwide to become the world’s largest hotel chain. Marriott now has 30 hotel brands with more than 5,800 properties and 1.1 million rooms in more than 110 countries. That’s more than 1 out of every 15 hotel rooms on the planet.

Hilton Worldwide’s 773,000 rooms and the 766,000 that are part of the Intercontinental Hotels Group family are significantly behind Marriott, but I am sure they are working around the clock to narrow the gap.

In this changing environment, Outrigger, with some 6,500 rooms and 37 properties, has an increasingly difficult time competing in many ways. Our “secret” has been the extraordinary hospitality offered by our hosts every moment a guest or potential guest comes in contact with a member of our ‘ohana or one of our properties or services. But we cannot continue to grow and compete without readily available capital.

That is one of the main reasons KSL fits the bill as the right organization to take Outrigger into its next chapters. KSL is a leading international investor and manager in travel and leisure enterprises in five primary sectors: hospitality, recreation, clubs, real estate and travel services. Unlike other such investors, KSL specializes in travel and leisure; in fact that’s all KSL does. With its main office in Denver, Colorado, KSL has raised approximately $7 billion of capital and completed more than 30 investments in the travel and leisure industry.

Change = Opportunity >> 2
Its affiliate, KSL Resorts, headquartered in La Quinta, California, and including top industry professionals, owns and manages many of its investments.

KSL’s portfolio includes some of the world’s premier travel and leisure properties. In the United States, KSL affiliates own a unique collection of iconic resort destinations such as the beachfront Hotel del Coronado in San Diego. They also own and or operate the Vail Valley Lodge in Colorado; Miraval Group, the owner and operator of luxury spa and wellness properties; and the Monarch Beach Resort in Dana Point, California.

KSL affiliates also own premier recreation businesses, including Squaw Valley Alpine Meadows, one of North America’s leading ski resorts. In the United Kingdom, KSL affiliates own The Belfry in the West Midlands; Village Hotel Club, a chain of 28 boutique hotels throughout the UK; and Cameron House in Loch Lomond, Scotland.

To better compete in this new world of giant hotel chains, Outrigger needs the level of capital available to KSL to maintain, renovate and improve its facilities and to fund expansion. The Outrigger Reef Waikiki Beach Resort is a prime example. Built by my parents in 1955-60, it needs significant work to compete with newer resorts. Borrowing the necessary funds in today’s uncertain world might put our family company in jeopardy. Acquisition by a major travel and hospitality company that has the means and commitment to take Outrigger to the next level is a more attractive alternative.

Dr. Charles Kelley, Outrigger Enterprises Group chairman, puts it this way: “Since my grandparents – Roy and Estelle Kelley – founded Outrigger in 1947, our family-run hospitality business has created world-class vacations for millions of travelers and life-changing employment opportunities for our hosts. Our family is humbled to have had the privilege of leading and growing this company for nearly 70 years and to have worked with some of the best in the industry. We have a responsibility to make strategic decisions today that put our company on the best path for future success; we are confident that KSL is the right choice to make Outrigger more resilient in today’s global hospitality market.”

KSL partner Marty Newburger adds: “Outrigger is a well-established, highly successful company that has built a unique portfolio of world-class hotels. For nearly seven decades, the Outrigger team has been focused on providing authentic, localized experiences for guests in iconic resort destinations. We are excited to continue the strong tradition that the Kelley family has built.

“Outrigger’s and KSL’s values are indeed aligned with creating lasting and memorable experiences for our resort guests at properties that are integral to the communities in which they operate. Outrigger owns and operates resorts in truly remarkable destinations and KSL is excited to be a part of the next chapter of Outrigger’s extraordinary story.”

KSL is investing in Outrigger because it believes that our journey is on the right path but is far from over. After the transaction with KSL closes, which we expect will be early next year, David Carey and our current management team will continue to lead Outrigger and our company’s headquarters will remain in Honolulu, our island home. In short, the business and legacy of Outrigger will move forward under a new steward which from all indications embraces Ke ‘Ano Wa’a as the guiding star of Outrigger’s today and tomorrow.

And me? After I celebrate my 83rd birthday next month, I am looking forward to the opportunity to slow down, relax and finish the book I have been writing about the development of Hawai‘i’s tourism industry during the past 70-plus years.

Mahalo and Aloha.