

and the Outrigger Maile Court in October.

Kelley won't talk about the size of the windfall, but he does relate that the hotels were put on the auction block when market prices were approaching an apex. While inquiries were received from the mainland and Korea, most of the interest emanated from Japan, reports Kelley. "Because of past inquiries, we had originally thought that one firm or one person would want to buy all of the properties," he says. "That person never appeared, and it ended up being a series of negotiations with different people."

In addition to improving the company's financial picture, the divestiture had other benefits. The Outrigger has formed partnerships with the new owners

of its former properties through long-term management agreements. It has also expanded its business relationships and marketing ties with the Japanese travel industry through joint promotions. For example, Odakyu Electric Railway Co. Ltd., which owns and operates a number of major railway systems in the Tokyo area, bought the Outrigger Hobron and has ads for the Hobron and Outrigger hotels displayed in every train car. Having strong Japanese partners would also be an advantage if Outrigger Hotels were to build hotels in Japan.

If expanding to Japan is not in the cards right now, expanding the Outrigger empire elsewhere is a major objective for the 1990s. "We have a heavy concentration of assets in a

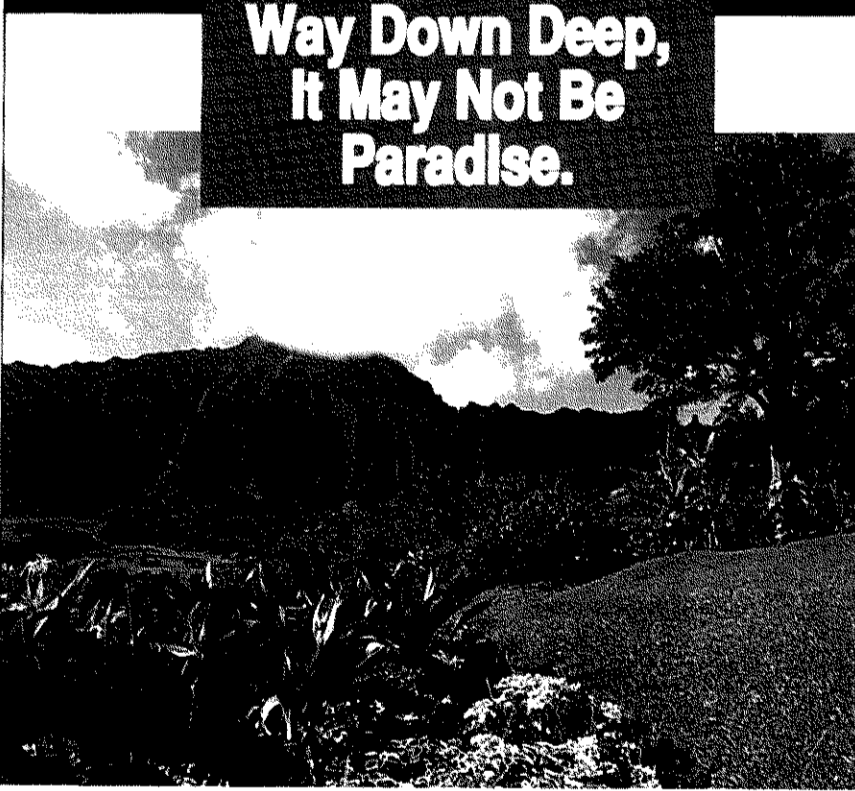
single location, and we felt it made prudent economic sense to create opportunities to reinvest in other locations," says David Carey III, Outrigger's president and chief operating officer. Part of that strategy includes tapping the mid-priced market on the neighbor islands. Last April, Outrigger signed a contract to manage the 521-room Royal Lahaina Hotel, its first Maui property.

Outrigger also owns a hotel in Fort Worth, Texas, and manages four other hotels in Texas, Florida and New Mexico through its sister company, Outrigger Lodging Services in Sherman Oaks, California. While the company will continue to focus on Hawaii and the western United States, it is open to looking at properties worldwide. The possibility of constructing new

hotels—especially in Pacific areas such as Fiji, Southeast Asia and Australia—will be seriously considered in the 1990s, says Kelley.

Meanwhile, the chain's renovation efforts in Honolulu are focused primarily on remaking the Outrigger Waikiki and the Outrigger Reef into flagship properties. The Reef has been undergoing a four-year, \$35-million renovation that will require an additional \$15 million to complete. The \$30-million renovation of the Outrigger Waikiki began in April 1990, with much of the work still in the planning stages. When all of the remodeling frenzy dies down, the Kelley's Outrigger Hotels chain will be raring to face the '90s in its remodeled glory. □

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