

BLACKSAND
CAPITAL

BlackSand Capital is Bullish on Hawaii



B.J. Kobayashi, Chairman and CEO of BlackSand Capital, shown here at the Kaimana Beach Hotel in Waikiki, Hawaii. (Photo: Pacific Business News)

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HONOLULU--([BUSINESS WIRE](#))--BlackSand Capital, a Hawaii specialist private equity firm, is bullish on Hawaii's recovery in the post-pandemic world.

In moves that show BlackSand Capital's commitment to Waikiki, which is the heart of Hawaii's tourism industry, BlackSand Capital recently acquired the iconic Waikiki Galleria Tower on Kalakaua Avenue for \$270 million, moved its offices to Waikiki, and redesigned the Kaimana Beach Hotel on Oahu's Gold Coast.

However, Hawaii is about more than tourism, and for decades, BlackSand Capital's Chairman and CEO, B.J. Kobayashi, has been devoted to the local community: "Our investor base, including the ultimate beneficiaries of our investors, is composed primarily of people who live in or have a deep connection to Hawaii. Our investors are our lifeblood. We are proud to be locally owned and it is important to us that most of our investment dollars stay in Hawaii and make it a better place to live and work."

As a result, in addition to the hospitality sector, BlackSand Capital also invests in affordable-residential, industrial, office, and retail sectors, and recently closed on the acquisition of an office asset, Premier Place, on the Island of Maui.

Source [BlackSand Capital, LLC](#)

The following article was published by Pacific Business News on August 13, 2021:

“B.J. Kobayashi is so bullish on Waikiki that his Hawaii-focused private equity firm, BlackSand Capital, relocated its offices to the storied tourism district, bought a boutique hotel on Kaimana Beach and recently paid \$270 million to acquire the Waikiki Galleria Tower with plans to redevelop the two-story retail space on Kalakaua Avenue.

[...] BlackSand Capital's second fund recently closed on its largest acquisition to date, the \$270 million purchase of the Waikiki Galleria Tower, whose retail space was vacated by the DFS T Galleria last year.

BlackSand currently employs 11 people, and Kobayashi said that he expects to hire four to six more in the near future, and said he plans to hire from within Hawaii.

Who are BlackSand's investors?

I'm very proud of having some of the largest investors here in Hawaii — labor unions, a lot of their pension funds [and the Hawaii Employees Retirement System]. It's a dual benefit because they're investing in and, knock on wood, getting a really strong return if we do our jobs right and we have some wind in our sails.

But in addition, a lot of what we do when we get properties is we make them better and one of the ways we can make them a lot better is through investing in construction to physically improve [them], so we keep the membership busy. A lot of the people that benefit from these retirement funds are retirees. I take great pride in the fact that 78% of our investors are all here in Hawaii. The money is staying here.

Why does BlackSand invest in only Hawaii real estate?

We're Hawaii specialists, if you will. We're the only ones doing what we do in Hawaii, so having an advantage is a big deal, because that means that if I do my job well, and my colleagues do their jobs well, we can create what we believe is a little better financial return for our investors.

And that leads me to my second point. My second point is that it's so important for us to be investing in Hawaii, because the investment returns stay in Hawaii. That's different. We're a private equity firm, we're owned here in Hawaii and our investment dollars, 80% of them, stay in Hawaii.

From a business standpoint, I will tell you that it's a two-way street. I'm providing returns to my investors, [and] my investors are providing me with valuable information and opportunities to invest.

Why do you want to focus on affordable housing?

There is much less risk in providing affordable housing than there is in selling a luxury condominium project. If you look at just the number of units [Kobayashi Group] delivered, [we've done] a lot more affordable housing over the course of our 25-year existence.

I concede over the past 10-15 years we've done a lot of luxury, but if you look at the overall [portfolio], we do a lot more market and affordable housing in West Oahu, Kapolei Kai, West Loch, Kapolei Kai, Alder Street, Kapiolani Village Apartments, I could go on and on.

We need more affordable housing, and it can provide really good returns for investors. It's less risky than selling a million-dollar condominium, because you have a much wider market when you're selling something that everyone can afford or that a lot of people can. We're doing rentals, we're also doing for-sale. We are highly focused on that and I don't think that focusing all of our efforts on luxury is the right thing to do.

What's on the horizon for BlackSand Capital?

We're going to be doing more affordable housing — that's No. 1. We're going to be doing more investments in the hotel industry and we're going to be making more investments in retail and residential. I think that we're going to also increase our presence on the Neighbor Islands.

But our home base, and the bulk of our activity will always be I think on Oahu. I'm very confident that ... if we assemble a great team and we have the right local-base investors that provide a lot of capital, not a little, but a lot, the opportunities will present themselves, and we'll capture that."

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