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Appraisals for former Hawaii Navy bunkers should help buyers seeking financing

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The first appraisals have come in for the Waikele Storage Park, clearing the way for buyers to seek conventional financing for the former Navy bunkers-turned-fee-simple industrial condominiums carved out of the mountains around Kipapa Gulch and parcels of land around them.

Developer Peter Savio first offered the 125 bunkers for sale two years ago with 99-year ground leases, but then he bought the fee to the 515 acres of land in late 2016 from Hunt Cos., which had acquired the former Waikele Naval Magazine from the Navy.

Appraiser Chris Ponsar of Ponsar Valuation said it was initially a challenge to appraise the storage bunkers because the unique nature of the property presented several uncertainties to lenders — the land initially wasn't fee simple, the condominium documents had not been completed and there was some uncertainty about the permitted uses.

But since Savio closed on the purchase of the land, all that has been cleared up, and the use of the land, most of which is zoned preservation, has been established as strictly storage.

"The main issue is when you're talking about the bunkers, the bunkers are use restricted for storage," Ponsar said. "That makes them different from traditional industrial condos. That makes it challenging to appraise because there's not many things on the market."



TINA YUEN PBN

A bunker at the Waikele Storage Park is seen in this File photo.

Because the land is preservation land, the property's use is restricted to its previous use by the military, which was for storage. When Savio took over management of the property as the master lessor under Hunt, he leased the properties out to a variety of small businesses for storage, including Waikale Self Storage.

Buyers who had purchased 11 bunkers and some 150,000 square feet of land under the ground lease provisions for a discount were then converted to fee simple.

But those transactions were all cash — without the fee, or comparables, banks were hesitant to lend on the project, said Mark Ambard of Ambard & Co., who is marketing the units along with brokers from Savio Realty Ltd.

Currently, a total of 14 bunkers and 180,000 square feet of land have been recorded as fee-simple transactions, he said. Another 42 units and 275 square feet of land are under contract, which includes 23 units being bought by Waikale Self Storage.

The remaining bunkers are being offered for sale for \$350,000, which includes the 4,000 square feet of storage plus an outside loading dock and loading area.

"Once the market digests the fact that much of the risk that has been associated with the project is gone, I think the future is bright for the project," Ponsar said.

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