



**Hawaii
Commercial
Real Estate, LLC**
Established 2002

Honolulu Office

MARKET REPORT 2015 - 3rd QUARTER



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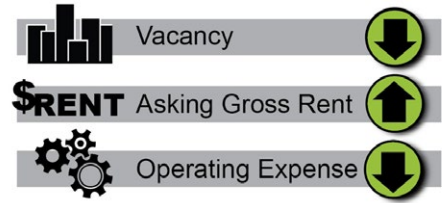


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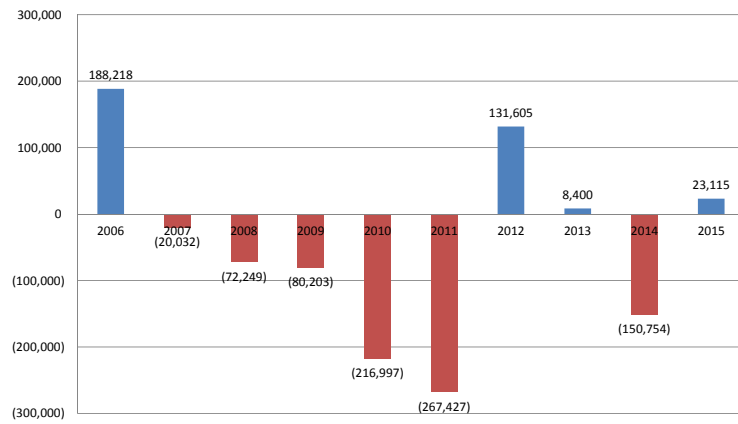
Honolulu's office market had another quarter of positive absorption as it filled 23,019 square feet of occupancy decreasing vacancy from 14.3 % to 14.2%. Six out of ten submarkets showed gains with the notable exception of downtown's class A high rises which saw negative absorption. Vacancy ranges from 1.1% (Windward Oahu) to 20.3% (King Street). Note that we have not taken Waikiki Trade Center out of inventory yet (see our previous reports for a discussion on this topic).



Full Service Gross (FSG) rent (base rent plus full service operating expenses) increased slightly from \$3.27/sf/month to \$3.28/sf/mth. Average operating expenses decreased slightly from \$1.61/sf/mth to \$1.60/sf/mth. Average asking base rents increased slightly from \$1.66 to \$1.68. Hawaii Commercial Real Estate's index of available spaces decreased from 602 to 599 spaces across the island.

OFFICE MARKET TURN-AROUND?

The Honolulu office market has seen 2 consecutive quarters of positive absorption – welcome news to landlords who saw negative absorption in the prior 5 quarters.

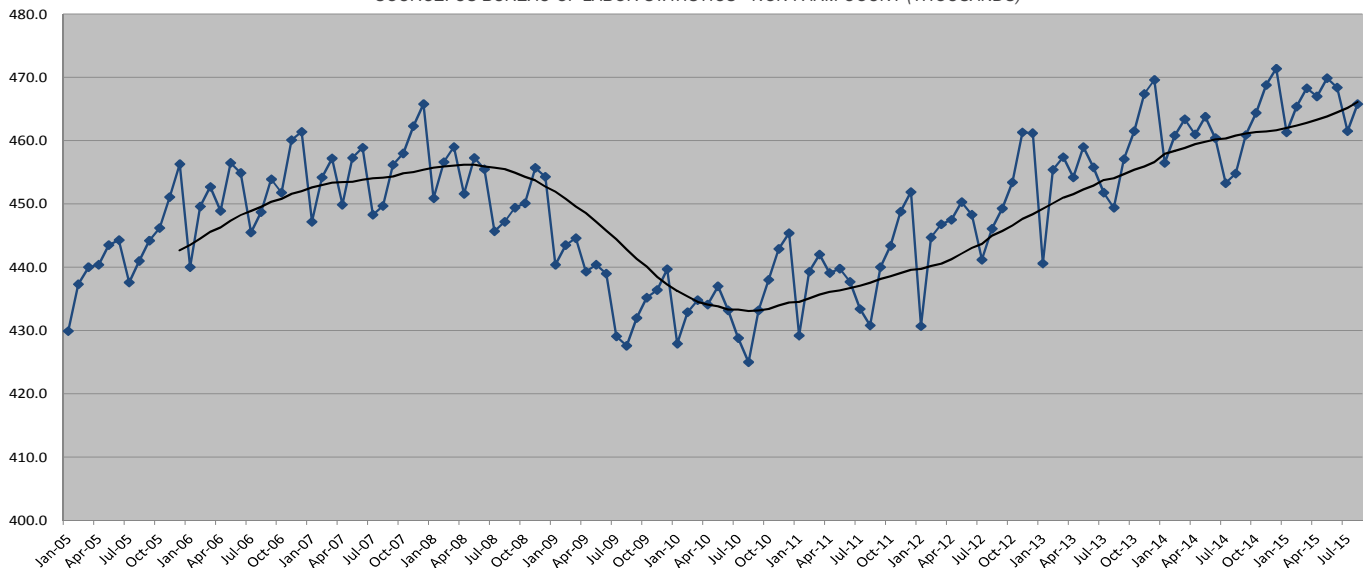


**HONOLULU
OFFICE
MARKET
ABSORPTION
(SF)**

While 2 quarters does not make a trend, Honolulu's job count is up, and economists expect that trend to continue.

HONOLULU MSA EMPLOYMENT - JAN 2005 THROUGH AUG 2015

SOURCE: US BUREAU OF LABOR STATISTICS - NON FARM COUNT (THOUSANDS)





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Individual Membership

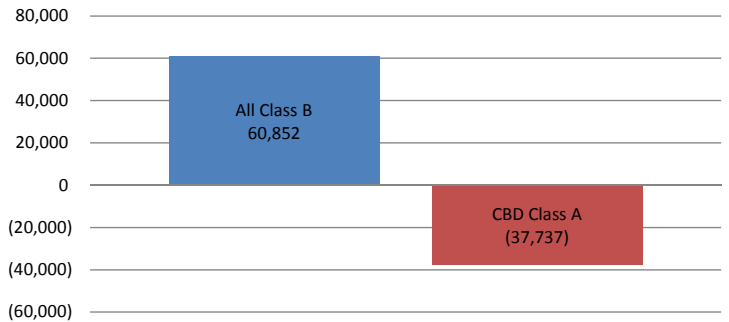
HCRE Office Market Report: 11/2015

DOWNTOWN CLASS A OCCUPANCY STILL STRUGGLING

While the market as a whole saw positive occupancy growth, the CBD (Central Business District) Class A market, with 43% of Oahu's inventory, continued to struggle with negative absorption.

Despite slow job growth in office-using industries as evidenced by full parking lots, vacancy has not declined in downtown's Class A high rises as these larger; business-to-business tenants continue to optimize their office footprints with lower sf/employee ratios.

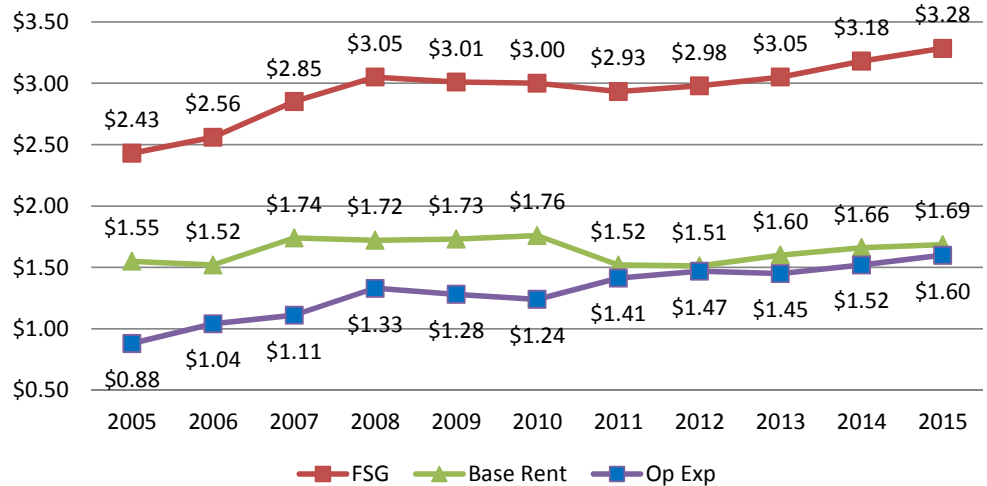
Absorption YTD (sf)



ASKING GROSS RENTS INCREASE – EXCEPT DOWNTOWN

The entire office market has seen steady increases in asking gross rents since 2011.

Oahu Office Rent



However, CBD Class A has been a different story. Asking gross rents have been flat since 2009. And the real story is the increase of operating expenses which have been eating into base rents. Fortunately, with the reduction in electricity rates and aggressive energy efficiency programs, downtown's operating expenses seem to have stabilized.

CBD Class A Office Rent

