



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

Honolulu Office

MARKET REPORT 2015 - 4th QUARTER



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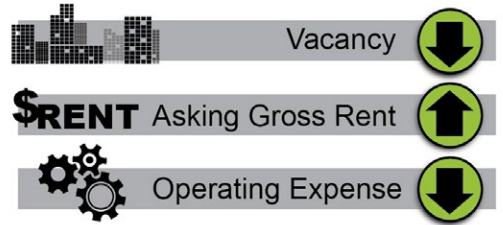
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Individual Membership

Honolulu's office market had its third consecutive quarter of positive absorption as it filled 5,943 square feet of occupancy decreasing vacancy from 14.2 % to 14.1%. in a reversal of the last several quarters, downtown's class A high rises led the market with 11,505 square feet of positive absorption. Vacancy ranges from 0.5% (Windward Oahu) to 19.7% (Waikiki). Note that we have not taken Waikiki Trade Center out of inventory yet (see our previous reports for a discussion on this topic).



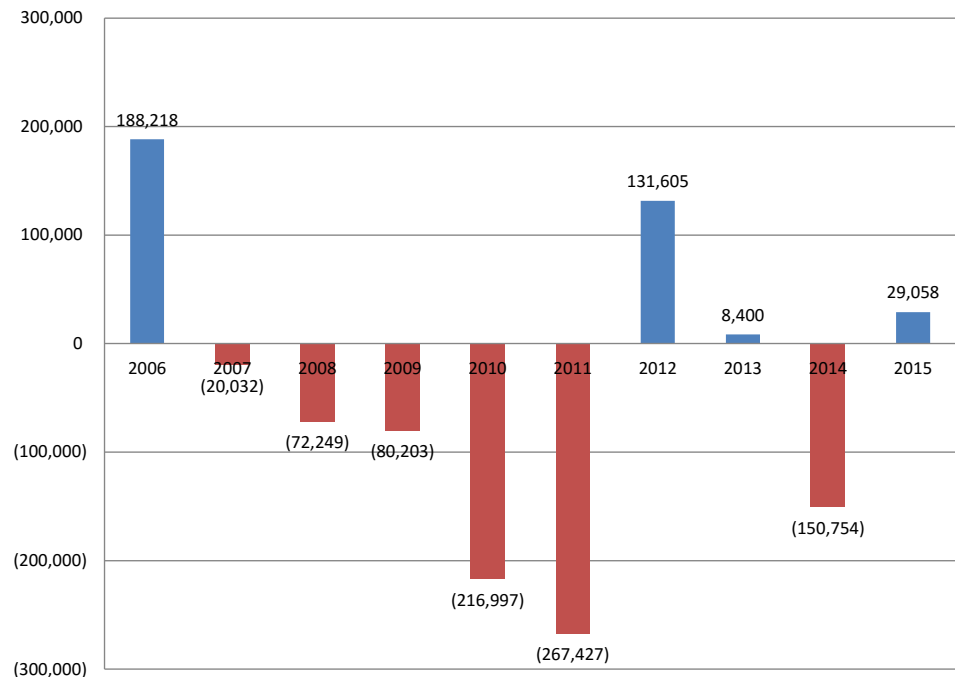
Full Service Gross (FSG) rent (base rent plus full service operating expenses) increased slightly from \$3.28/sf/month to \$3.34/sf/month. Average operating expenses decreased slightly from \$1.60/sf/month to \$1.59/sf/month. Average asking base rents increased slightly from \$1.68 to \$1.71. Hawaii Commercial Real Estate's index of available spaces decreased from 599 to 597 spaces across the island.

POTENTIAL CHANGES TO WATCH IN 2016



The only significant new office inventory in the development pipeline is Aloha Pacific Center in Kapolei. This 200,000 sf project is scheduled to break ground later this year and deliver office and retail condominiums in 2017. Kapolei seems to finally be coming into its own as Honolulu's "second city" and there appears to be solid demand for owner-user space and virtually no alternatives. If you haven't toured Kapolei recently, you need to see what is going on out there.

HONOLULU OFFICE MARKET ABSORPTION (SF)





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Individual Membership

HCRE Office Market Report: 2/2016

1833 Kalakaua and 677 Ala Moana Building are still on the market, and Pacific Office Properties put the balance of its Honolulu portfolio on the market for either a sale or a re-capitalization. This includes Davies Pacific Center, Waterfront Plaza and Pan Am Building, all of which have CMBS loans coming due in 2016.

Downtown continues to dominate the office market with 51% of Honolulu's inventory and 55% of Honolulu's vacancy. There are several changes in the works that could impact those figures:

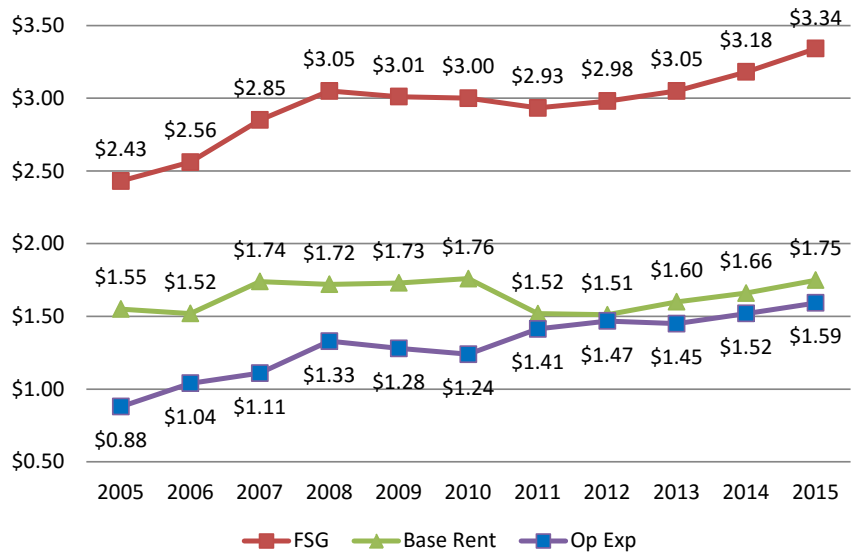


Alii Place. The State legislature is expected to decide whether or not to purchase the 350,000 sf class A building with nearly 120,000 sf of vacancy. The purchase would reduce both inventory and class A vacancy as the State moves tenancy from both public and private class B and C buildings. Additionally, the limited amount of private tenancy currently in Alii Place would find its way into other private buildings.



Princess Kamamalu Building. The State should complete renovation of the long vacant 70,000 sf building in 2016 which virtually insures that any office expansion by the State will NOT go to private office buildings.

OAHU OFFICE RENT



OAHU OFFICE MARKET SNAPSHOT - 2015, 4TH QUARTER

SUBMARKET	TOTAL SF	VACANT SF	NO. BLDG	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)	YTD ABSORPTION (SF)
Airport	575,042	80,781	4	14.0%	37	\$2.65	\$1.26	(3,087)	21,193
CBD	5,748,391	877,760	24	15.3%	283	\$2.80	\$1.42	12,663	(7,034)
East Oahu	257,586	12,362	6	4.8%	8	\$3.72	\$1.53	0	1,473
Kakaako	1,338,687	141,689	6	10.6%	41	\$2.96	\$1.45	(6,121)	(10,917)
Kalihi/Iwilei	569,529	51,574	4	9.1%	19	\$2.75	\$1.36	(1,351)	13,709
Kapiolani	1,249,565	214,540	9	17.2%	95	\$3.69	\$1.90	(3,427)	14,883
King	78,547	15,141	2	19.3%	12	\$2.97	\$1.51	777	61
Leeward Oahu	603,712	49,191	8	8.1%	17	\$4.13	\$1.62	4,567	(4,896)
Waikiki	782,395	154,295	7	19.7%	82	\$4.56	\$2.18	1,312	(5,657)
Windward Oahu	110,165	571	3	0.5%	3	\$3.18	\$1.70	610	6,243
TOTAL	11,313,619	1,597,904	73	14.1%	597	\$3.34	\$1.59	5,943	29,058

BLDG CLASS	TOTAL SF	VACANT SF	NO. BLDG	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)	YTD ABSORPTION (SF)
A*	4,848,005	707,618	13	14.6%	181	\$2.92	\$1.45	11,505	(26,232)
B	6,465,614	890,286	60	13.8%	416	\$3.37	\$1.63	(5,562)	55,290
TOTAL	11,313,619	1,597,904	73	14.1%	597			5,943	29,058

* Class A Buildings are exclusively in CBD