



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

Honolulu Office

MARKET REPORT - 1ST QUARTER 2014 | MAY 2014



TRENDS TO WATCH

- Federal government occupancy losses in private office buildings.
- Continued "densification" - i.e. fewer square feet per office.
- Ownership changes could result in increased competition.
- Conversion of office space to other use could reduce vacancy.

Honolulu's office market saw negative absorption of 27,406 in the 1st quarter of 2014 which increased vacancy from 13.1 % to 13.3%. Three of the last four quarters have seen negative absorption. However, the roles were reversed as Downtown's class A high rises decreased in vacancy from 13.7% to 13.6% while the rest of the market saw vacancy increase. Vacancy ranges from 4.1% (East Oahu) to 20.8% (Waikiki). Average asking base rents decreased from \$1.60 to \$1.59. Average operating expenses increased from \$1.45 to \$1.50. As a result the Full Service Gross (FSG) rent (base rent plus full service operating expenses) increased from \$3.05/sf/month to \$3.09/sf/mth. Hawaii Commercial Real Estate's index of available spaces decreased 2% from 634 to 623 spaces across the island.

FEDERAL GOVERNMENT OCCUPANCY LOSSES IN PRIVATE OFFICE BUILDINGS.

FBI vacated roughly 70,000 sf of vacant space in the downtown federal building when it moved to its new building in Kalaeloa. This vacancy doesn't show up in our private space survey, however it is likely that the few federal tenants remaining in private office space will move to the federal building over the next several years.

NOAA started moving to its new building on Ford Island during the quarter. It is leaving behind nearly 100,000 sf of private vacancy - 60,000+ square feet vacated at 1601

Kapiolani, 20,000+ square feet at Pacific Guardian Center and 10,000+ square feet at Hawaii Kai Towne Center. This vacancy will hit the statistics in the 2nd quarter.

CONTINUED "DENSIFICATION" - I.E. FEWER SQUARE FEET PER OFFICE.

Office tenants continue their cost cutting and are finding new ways to put more employees into smaller space. Strategies include more open floor plans; fewer and smaller offices; fewer and smaller support spaces such as IT, libraries and filing rooms; shared work stations and telecommuting.

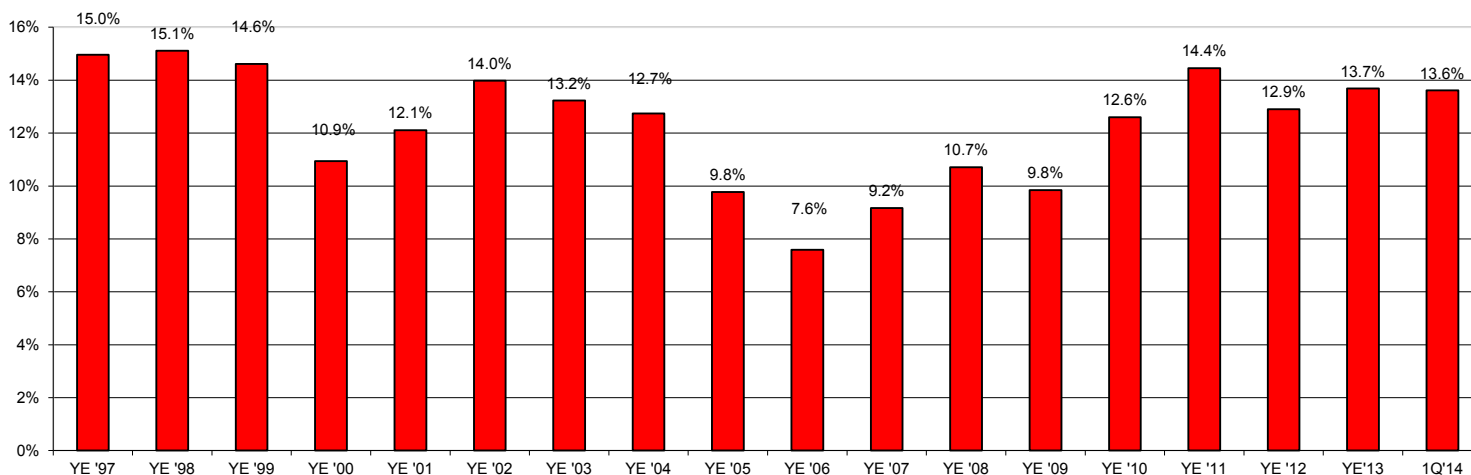
Tenants oftentimes need less and more importantly different space when they renew their lease. The results are: tenants are more likely to move to a new space that has a new configuration, or they need a significant tenant improvement allowance to reconfigure old, inefficient space.

The slight gains in office employment are being offset by the reduction in sf/employee.

OWNERSHIP CHANGES COULD RESULT IN INCREASED COMPETITION.

One office building has changed hands, and three others are in various phases of ownership changes. One South King was sold via an online auction and the new owners are refining their re-positioning plan; Haseko Center and Ocean View Center are close to closing and 810 Richards Street fell out of escrow and is courting new buyers. New

CBD CLASS A TOTAL OFFICE VACANCY RATES (1997-2014)





CONTINUED
"densification" (fewer
sf/person) offset the
slight gains in office
employment.

*Honolulu Office Market
Report - 1st Qtr. 2014*

ownership, in some cases at a much lower basis, could result in more aggressive leasing programs.

CONVERSION OF OFFICE SPACE TO OTHER USE COULD REDUCE VACANCY.

The Waikiki Trade Center was sold in late 2013 to a hotel operator that is planning on

converting the building to "other use". Given that most of Waikiki's vacancy is in that one building, removing the Waikiki Trade Center from the market will dramatically reduce Waikiki's 20.8% vacancy.

OAHU OFFICE MARKET SNAPSHOT - 1ST QUARTER 2014

SUBMARKET	VACANT SF	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)
Airport	76,988	13.4%	38	\$2.64	\$1.19	(2,225)
CBD	823,801	14.4%	300	\$2.85	\$1.42	9,311
East Oahu	10,602	4.1%	9	\$3.72	\$1.64	2,399
Kakaako	90,726	6.8%	37	\$2.88	\$1.47	(1,827)
Kalihi/Iwilei	68,896	12.1%	16	\$2.60	\$1.27	(4,526)
Kapiolani	168,515	13.5%	91	\$3.56	\$1.79	(22,758)
King	15,202	19.4%	12	\$2.45	\$1.43	0
Leeward Oahu	75,983	12.6%	24	\$3.92	\$1.56	(8,634)
Waikiki	163,078	20.8%	89	\$2.97	\$1.73	188
Windward Oahu	9,823	8.9%	7	\$3.32	\$1.51	666
TOTAL	1,503,614	13.3%	623	\$3.09	\$1.50	(27,406)

¹ Class A Buildings are exclusively in CBD

CBD CLASS A OFFICE MARKET SNAPSHOT - 1ST QUARTER 2014

Building SF	Direct			Direct Vacancy		Total Vacancy		Qtr Absorption		YTD Absorption		Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
	Vacancy	Sublease	Vacancy	Rate	Rate	Rate	Rate	Absorption	Absorption	Absorption	Absorption		
Alii Place	316,040	97,378	0	97,378	30.8%	30.8%	30.8%	434	434			\$2.90 - \$2.90	\$1.35
Bishop Place	462,072	51,709	10,295	62,004	11.2%	13.4%	13.4%	(392)	(392)			\$2.76 - \$2.96	\$1.51
Bishop Square / ASB Tower	483,455	64,369	0	64,369	13.3%	13.3%	13.3%	(1,038)	(1,038)			\$2.67 - \$2.87	\$1.37
Bishop Square/Pauahi Tower	438,596	65,185	0	65,185	14.9%	14.9%	14.9%	(15,771)	(15,771)			\$2.65 - \$3.00	\$1.40
Central Pacific Plaza	209,821	6,885	0	6,885	3.3%	3.3%	3.3%	0	0			\$2.92 - \$2.92	\$1.42
City Financial Tower	180,563	8,085	0	8,085	4.5%	4.5%	4.5%	1,609	1,609			\$2.86 - \$2.86	\$1.46
Davies Pacific Center	354,322	58,503	2,344	60,847	16.5%	17.2%	17.2%	(2,419)	(2,419)			\$3.03 - \$3.98	\$1.48
First Hawaiian Center	379,336	16,761	12,900	29,661	4.4%	7.8%	7.8%	12,712	12,712			\$3.22 - \$3.22	\$1.37
Harbor Court - Office Tower	186,138	14,881	0	14,881	8.0%	8.0%	8.0%	0	0			\$3.03 - \$3.18	\$1.73
Pacific Guardian Center	632,157	73,676	2,612	76,288	11.7%	12.1%	12.1%	(1,228)	(1,228)			\$2.77 - \$3.17	\$1.42
Pioneer Plaza	245,000	29,939	0	29,939	12.2%	12.2%	12.2%	(1,551)	(1,551)			\$2.29 - \$2.79	\$1.39
TOPA Financial Center	483,776	45,082	0	45,082	9.3%	9.3%	9.3%	16,443	16,443			\$2.95 - \$4.00	\$1.50
Waterfront Plaza	455,600	91,412	5,000	96,412	20.1%	21.2%	21.2%	(5,291)	(5,291)			\$3.02 - \$3.02	\$1.52
Totals	4,826,876	623,865	33,151	657,016				3,508	3,508			Average Range	
Vacancy rates		12.9%	0.7%	13.6%								\$2.85 - \$3.14	\$1.46
												\$2.29 - \$4.00	

NOTE

¹ Vacancies are from Loopnet, broker fact sheets, and/or telephone surveys.

² Base rents typically escalate annually by 3%



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**Hawaii
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Honolulu Office

MARKET REPORT - 2ND QUARTER 2014 | JULY 2014



TRENDS TO WATCH

- Private buildings feel impact of government office building supply.
- Continued “densification” - i.e. fewer square feet per person.
- Ownership changes.

Honolulu's office market lost 91,534 square feet of occupancy during the second quarter which increased vacancy from 13.3 % to 14.1%. Urban Honolulu led the market decline with the CBD, Kapiolani, Kakaako, Kalihi/Iwilei combining to lose about 132,000 square feet, however most of the occupancy loss was confined to Class B buildings as Class A high rises only lost 2,748 square feet. Vacancy ranges from 2.2% (East Oahu) to 20.3% (Waikiki). Despite the loss in occupancy, landlords increased asking base rents as the average went from \$1.59 to \$1.67. Average operating expenses decreased from \$1.50 to \$1.49. As a result the Full Service Gross (FSG) rent (base rent plus full service operating expenses) increased from \$3.09/sf/month to \$3.16/sf/mth. Hawaii Commercial Real Estate's index of available spaces decreased from 623 to 612 spaces across the island.

PRIVATE BUILDINGS FEEL IMPACT OF GOVERNMENT OFFICE BUILDING SUPPLY.

The private sector has not built any significant office inventory other than medical office since the mid-1990s. However, government entities have been busy adding inventory that has been affecting private occupancy. The federal government built the FBI Building in Kalaheo in 2013 and the NOAA Building on Ford Island in 2014, and the State of Hawaii has the Princess Kamamalu building in a vacant shell condition.

NOAA moved to its new building during the quarter leaving behind nearly 100,000 sf of private vacancy - 60,000+ square feet vacated at 1601 Kapiolani, 20,000+ square feet at Pacific Guardian

Center and 10,000+ square feet at Hawaii Kai Towne Center.

The FBI vacated roughly 70,000 sf in the downtown federal building when it moved to its new building in Kalaheo in 2013. This vacancy doesn't show up in our private space survey, however it is likely that the few federal tenants remaining in private office space will move to the federal building over the next several years.

The State of Hawaii vacated the Princess Kamamalu Building for asbestos remediation in the early 2000s. So if and when the state renovates this building, it could absorb state government office demand.

CONTINUED “DENSIFICATION” - I.E. FEWER SQUARE FEET PER PERSON.

Office tenants continue their cost cutting and are finding new ways to put more employees into smaller space. Strategies include more open floor plans; fewer and smaller offices; fewer and smaller support spaces such as IT, libraries and filing rooms; shared work stations and telecommuting.

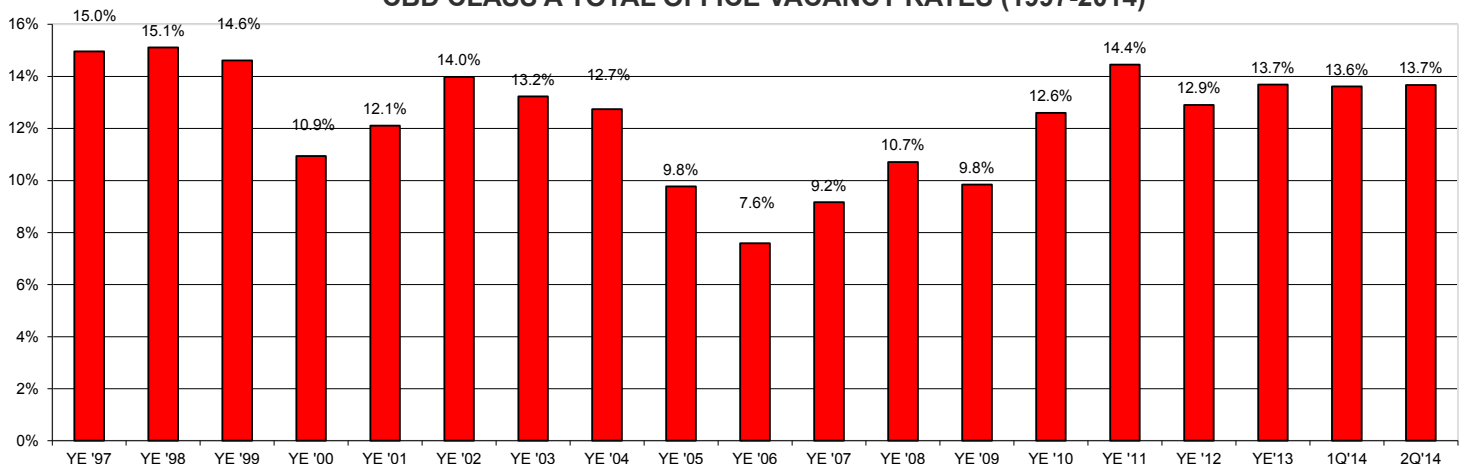
Tenants oftentimes need less and more importantly different space when they renew their lease. The results are: tenants are more likely to move to a new space that has a new configuration, or they need a significant tenant improvement allowance to reconfigure old, inefficient space.

The slight gains in office employment are being offset by the reduction in sf/employee.

OWNERSHIP CHANGES.

Three office buildings changed hands during the quarter - One King was sold via an online

CBD CLASS A TOTAL OFFICE VACANCY RATES (1997-2014)





OWNERSHIP CHANGES.

One King was sold via an online auction to local investors who are refining their re-positioning plan and Haseko Center and Ocean View Center sold to a California group that has ties to the prior ownership.

auction to local investors who are refining their re-positioning plan and Haseko Center and Ocean View Center sold to a California group that has ties to the prior ownership. These new owners have a lower basis, and we could see capital investment and aggressive leasing programs.

Additionally, 810 Richards Street, is back in escrow with a California investor.

CONVERSION OF OFFICE SPACE TO OTHER USE COULD REDUCE VACANCY.

The Waikiki Trade Center was sold in late 2013 to a hotel operator that is planning on converting the building to "other use". Given that most of Waikiki's vacancy is in that one building, removing the Waikiki Trade Center from the market will dramatically reduce Waikiki's 20.3% vacancy.

OAHU OFFICE MARKET SNAPSHOT - 2ND QUARTER 2014

SUBMARKET	VACANT SF	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)
Airport	79,034	13.7%	32	\$2.58	\$1.14	(2,046)
CBD	828,385	14.5%	277	\$2.82	\$1.42	(4,584)
East Oahu	5,587	2.2%	7	\$3.76	\$1.62	5,015
Kakaako	137,455	10.3%	44	\$2.95	\$1.46	(46,729)
Kalihi/Iwilei	97,017	17.0%	30	\$2.67	\$1.25	(28,121)
Kapiolani	221,379	17.7%	95	\$3.53	\$1.78	(52,864)
King	15,202	19.4%	12	\$2.46	\$1.43	0
Leeward Oahu	44,742	7.4%	23	\$3.89	\$1.57	31,241
Waikiki	158,854	20.3%	87	\$3.85	\$1.74	4,224
Windward Oahu	7,493	6.8%	5	\$3.10	\$1.47	2,330
TOTAL	1,595,148	14.1%	612	\$3.16	\$1.49	(91,534)

¹ Class A Buildings are exclusively in CBD

CBD CLASS A OFFICE MARKET SNAPSHOT - 2ND QUARTER 2014

	Building SF	Direct		Total		Qtr		YTD		Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
		Vacant	Total	Vacancy							
		Sublease	Vacancy	Rate	Rate	Absorption	Absorption				
Alii Place	316,040	95,399	0	95,399	30.2%	30.2%	1,979	2,413	\$2.90 - \$2.90	\$1.35	
Bishop Place	462,072	46,184	0	46,184	10.0%	10.0%	15,820	15,428	\$2.76 - \$2.96	\$1.51	
Bishop Square / ASB Tower	483,455	56,488	0	56,488	11.7%	11.7%	7,881	6,843	\$2.67 - \$2.87	\$1.37	
Bishop Square/Pauahi Tower	438,596	77,879	0	77,879	17.8%	17.8%	(12,694)	(28,465)	\$2.65 - \$2.80	\$1.40	
Central Pacific Plaza	209,821	9,049	0	9,049	4.3%	4.3%	(2,164)	(2,164)	\$2.92 - \$2.92	\$1.42	
City Financial Tower	180,563	8,664	0	8,664	4.8%	4.8%	(579)	1,030	\$2.87 - \$2.87	\$1.47	
Davies Pacific Center	354,322	72,612	0	72,612	20.5%	20.5%	(11,765)	(14,184)	\$3.03 - \$3.03	\$1.48	
First Hawaiian Center	379,336	16,678	12,900	29,578	4.4%	7.8%	83	12,795	\$3.17 - \$3.17	\$1.32	
Harbor Court - Office Tower	186,138	21,141	0	21,141	11.4%	11.4%	(6,260)	(6,260)	\$3.03 - \$3.18	\$1.73	
Pacific Guardian Center	632,157	72,192	0	72,192	11.4%	11.4%	4,096	2,868	\$2.77 - \$3.17	\$1.42	
Pioneer Plaza	245,000	30,908	0	30,908	12.6%	12.6%	(969)	(2,520)	\$2.29 - \$2.78	\$1.39	
TOPA Financial Center	483,776	44,834	2,098	46,932	9.3%	9.7%	(1,850)	14,593	\$2.95 - \$2.95	\$1.50	
Waterfront Plaza	455,600	87,738	5,000	92,738	19.3%	20.4%	3,674	(1,617)	\$3.02 - \$3.02	\$1.52	
Totals	4,826,876	639,766	19,998	659,764			(2,748)	760	Average	\$2.85 - \$2.97	\$1.45
Vacancy rates		13.3%	0.4%	13.7%					Range	\$2.29 - \$3.18	

NOTE

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HCRE Office Market Report - July 27, 2014



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Honolulu Office

MARKET REPORT - 3RD QUARTER 2014 | DECEMBER 2014



TRENDS TO WATCH

- Construction boom has limited impact on office space.
- Tenants are changing how they use space.
- Startups - the next growth industry?
- Conversion of office space to other use could reduce vacancy.

Honolulu's office market saw negative absorption for the third quarter in a row, and the fifth out of the last six quarters. The market lost 27,314 square feet of occupancy which increased vacancy from 14.1 % to 14.4%. Honolulu's CBD (Central Business District) led the market losing nearly 35,000 square feet with the increases being spread amongst both Class A and Class B office buildings. Vacancy ranges from 1.7% (East Oahu) to 20.1% (Waikiki). Average asking base rents decreased from \$1.67 to \$1.55. Average operating expenses increased from \$1.49 to \$1.50. As a result the Full Service Gross (FSG) rent (base rent plus full service operating expenses) decreased from \$3.16/sf/month to \$3.05/sf/mth. Hawaii Commercial Real Estate's index of available spaces increased from 617 to 620 spaces across the island.

CONSTRUCTION BOOM HAS LIMITED IMPACT ON OFFICE SPACE

In previous construction cycles we saw developers, architects, contractors, law firms, title and escrow, and real estate companies take significantly more space. The current construction boom is having a limited impact on office occupancy with the exception of HART. Construction related companies have added staff, but

they have limited their office expansion by increasing the number of employees per square foot.

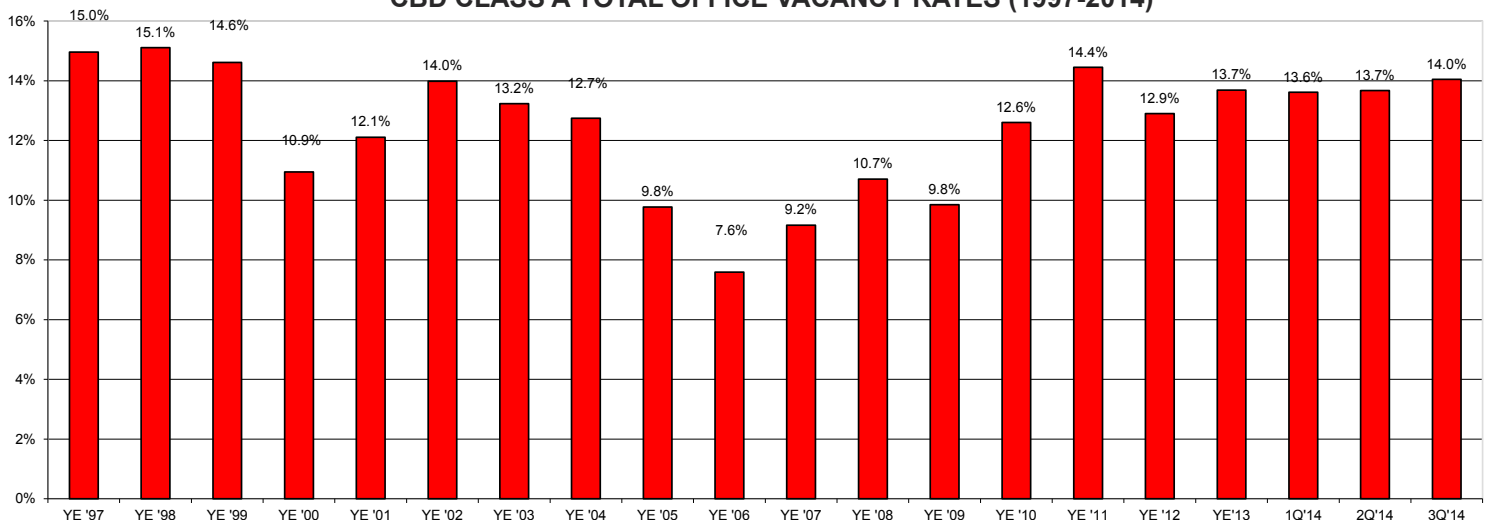
CHANGES IN USE OF SPACE

In an effort to reduce operating costs and increase employee productivity, many tenants are changing how they use office space. Strategies include more open space, fewer offices and more meeting spaces. These changes typically require new office configurations which increase the likelihood that a tenant will move when its lease expires. Cardno, for example, is moving to a new space at Pacific Guardian Center with more open space and fewer workstations than employees.

STARTUPS - THE NEXT GROWTH INDUSTRY?

Several business accelerators have started up in Honolulu in the last few years. They include Blue Startups, Energy Excelerator, The Box Jelly, ProtoHUB and XLR8UH. The accelerators themselves occupy a relatively small amount of space, and because they are new, their graduates have not impacted the office market - yet. Stay tuned.

CBD CLASS A TOTAL OFFICE VACANCY RATES (1997-2014)





CONVERSION OF OFFICE SPACE TO OTHER USE COULD REDUCE VACANCY

Waikiki Trade Center's conversion to "another use" will dramatically reduce Waikiki's 20.1% vacancy.

CONVERSION OF OFFICE SPACE TO OTHER USE COULD REDUCE VACANCY

The Waikiki Trade Center has stopped leasing to new office tenants and is not renewing existing tenants as it prepares for conversion to "another use". Given

that most of Waikiki's vacancy is in that one building, removing the Waikiki Trade Center from the market will dramatically reduce Waikiki's 20.1% vacancy.

OAHU OFFICE MARKET SNAPSHOT - 3RD QUARTER 2014

SUBMARKET	VACANT SF	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)
Airport	78,780	13.7%	34	\$2.20	\$1.14	254
CBD	863,260	15.1%	300	\$2.79	\$1.40	(34,875)
East Oahu	4,272	1.7%	6	\$3.76	\$1.62	1,315
Kakaako	130,356	9.7%	40	\$2.90	\$1.44	7,099
Kalihi/Iwilei	98,565	17.3%	31	\$2.60	\$1.20	(1,548)
Kapiolani	214,266	17.1%	85	\$3.44	\$1.73	7,113
King	15,202	19.4%	12	\$2.52	\$1.66	0
Leeward Oahu	52,881	8.8%	24	\$3.83	\$1.58	(8,139)
Waikiki	157,387	20.1%	83	\$3.39	\$1.80	1,467
Windward Oahu	7,493	6.8%	5	\$3.10	\$1.47	0
TOTAL	1,622,462	14.4%	620	\$3.05	\$1.50	(27,314)

¹ Class A Buildings are exclusively in CBD

CBD CLASS A OFFICE MARKET SNAPSHOT - 3RD QUARTER 2014

	Building SF	Direct Vacancy	Vacant Sublease	Total Vacancy	Direct Vacancy Rate	Total Vacancy Rate	Qtr Absorption	YTD Absorption	Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
Alli Place	316,040	101,310	0	101,310	32.1%	32.1%	(5,911)	(3,498)	\$2.90 - \$2.90	\$1.35
Bishop Place	462,072	43,755	0	43,755	9.5%	9.5%	2,429	17,857	\$2.76 - \$2.91	\$1.51
Bishop Square / ASB Tower	483,455	57,977	0	57,977	12.0%	12.0%	(1,489)	5,354	\$2.67 - \$2.77	\$1.37
Bishop Square/Pauahi Tower	438,596	72,029	0	72,029	16.4%	16.4%	5,850	(22,615)	\$2.65 - \$2.80	\$1.40
Central Pacific Plaza	209,821	8,125	0	8,125	3.9%	3.9%	924	(1,240)	\$2.92 - \$2.92	\$1.42
City Financial Tower	180,563	8,664	0	8,664	4.8%	4.8%	0	1,030	\$2.72 - \$2.87	\$1.42
Davies Pacific Center	354,322	70,793	0	70,793	20.0%	20.0%	1,819	(12,365)	\$3.03 - \$3.03	\$1.48
First Hawaiian Center	379,336	12,808	12,900	25,708	3.4%	6.8%	3,870	16,665	\$3.17 - \$3.17	\$1.32
Harbor Court - Office Tower	186,138	16,898	0	16,898	9.1%	9.1%	4,243	(2,017)	\$2.85 - \$3.00	\$1.55
Pacific Guardian Center	632,157	80,366	1,595	81,961	12.7%	13.0%	(9,769)	(6,901)	\$2.77 - \$3.17	\$1.42
Pioneer Plaza	245,000	37,183	0	37,183	15.2%	15.2%	(6,275)	(8,795)	\$2.00 - \$2.65	\$1.39
TOPA Financial Center	483,776	61,782	2,098	63,880	12.8%	13.2%	(16,948)	(2,355)	\$2.95 - \$3.05	\$1.50
Waterfront Plaza	455,600	65,997	23,665	89,662	14.5%	19.7%	3,076	1,459	\$3.01 - \$3.01	\$1.51
Totals	4,826,876	637,687	40,258	677,945			(18,181)	(17,421)	Average Range \$2.80 - \$2.94	\$1.43
Vacancy rates		13.2%	0.8%	14.0%					\$2.00 - \$3.17	

NOTE

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² Base rents typically escalate annually by 3%

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HCRE Office Market Report:12/2014



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

Honolulu Office

MARKET REPORT 2014 - 4TH QUARTER



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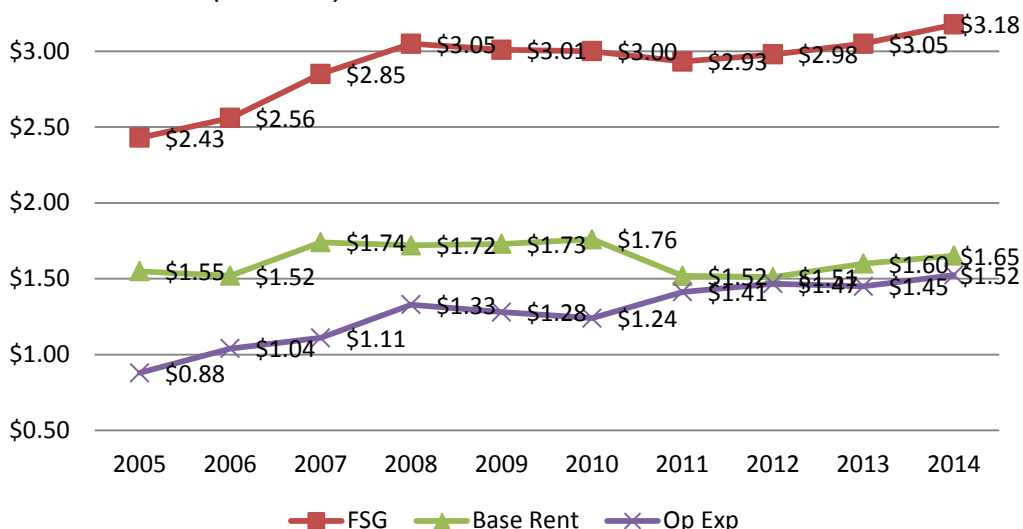
Honolulu's office market shed another 10,810 square feet of occupancy during the 4th quarter of 2014 which increased vacancy from 14.4 % to 14.5%. Although this was the fourth quarter in a row of negative absorption, it was the smallest amount of quarterly occupancy lost in 2014 which might be signaling a bottom in the market. The airport submarket lost the most occupancy followed by Kapiolani, downtown's Central Business District (CBD) and East Oahu. Vacancy ranges from 5.4% (East Oahu) to 19.0% (Waikiki). Average asking base rents jumped from \$1.55 to 2nd quarter levels of \$1.66. Average operating expenses increased from \$1.50 to \$1.52 as some buildings started to implement 2015 estimates. Operating expenses will likely increase further in the upcoming first quarter survey as all the buildings use their 2015 estimates. As a result the Full Service Gross (FSG) rent (base rent plus full service operating expenses) increased from \$3.05/sf/month to \$3.18/sf/mth. Hawaii Commercial Real Estate's index of available spaces decreased from 620 to 618 spaces across the island.

OPERATING EXPENSE INCREASES CONTINUE TO DAMPEN BASE RENT INCREASES

Tenants look at the gross cost of leasing space which includes base rent and operating expenses. So if a building's operating expenses increase, that building will have trouble increasing its base rent.

Gross rents have increased at a 3% compound rate since 2005 – a little more than the rate of inflation. However, operating expenses have increased 6.1% per year during that same time. With operating expenses making up close to half of a tenant's entire rent bill, it's no wonder that base rents have only increased 0.7% per year since 2005.

Oahu Office Rent (2005-2014)



COULD THE DROP IN OIL PRICES AND/OR RENEWABLE ENERGY BENEFIT BASE RENTS?

The largest operating cost for office buildings is electricity, most of which is used for air conditioning systems. Since most of Honolulu's electricity is produced by burning oil, those costs should drop, at least for 2015. Couple that with increasingly economical renewable energy from wind, solar, and the proposed Honolulu Seawater Air Conditioning system, we could finally see abatement in the rise of operating expenses.



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HCRE Office Market Report: 2/2015

OPERATING EXPENSE PROJECTIONS FOR 2015

Our market statistics include asking base rents and operating expenses as reported near the end of December, 2014, and most buildings were not using their 2015 budgeted operating expenses.

Subsequent to our survey, all of the CBD class A buildings have set their 2015 operating expense budgets:

Operating Expenses CBD A 2015

Building	2015 (\$/rsf/mth)	2014 (\$/rsf/mth)	2013 (\$/rsf/mth)
Alii Place	\$1.37	\$1.35	\$1.32
Bishop Place / 1132 Bishop	\$1.51	\$1.51	\$1.49
Bishop Square: ASB	\$1.32	\$1.37	\$1.38
Bishop Square: Pauahi	\$1.34	\$1.40	\$1.41
Central Pacific Plaza	\$1.46	\$1.42	\$1.42
City Financial Tower	\$1.42	\$1.46	\$1.43
Davies Pacific Center	\$1.50	\$1.48	\$1.45
First Hawaiian Center	\$1.40	\$1.37	\$1.39
Harbor Court	\$1.55	\$1.73	\$1.55
Pacific Guardian Center	\$1.43	\$1.42	\$1.38
Pioneer Plaza	\$1.43	\$1.39	\$1.35
TOPA	\$1.50	\$1.50	\$1.49
Waterfront	\$1.54	\$1.52	\$1.54
AVERAGE	\$1.44	\$1.46	\$1.43

The average operating expense for the CBD Class A buildings stays the same as 2014, however a closer look at the numbers shows that the average is brought down by a an \$0.18 drop at Harbor Court. This is due to that owner removing ground rent from its operating expense. Without that reduction, the average would have increased by \$0.02/rsf/mth. Other notable drops in operating expense are at Bishop Square which has streamlined its services and City Financial Tower.

Oahu Office Market Snapshot - 4th Quarter 2014

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	101,974	4	17.7%	43	\$2.21	\$1.14	(23,194)	(27,211)
CBD	5,727,262	877,036	24	15.3%	293	\$2.83	\$1.42	(13,776)	(43,924)
East Oahu	257,586	13,835	6	5.4%	10	\$3.82	\$1.66	(9,563)	(834)
Kakaako	1,338,687	130,772	6	9.8%	38	\$2.88	\$1.43	(416)	(41,873)
Kalihi/Iwilei	569,529	65,283	4	11.5%	23	\$2.61	\$1.24	33,282	(913)
Kapiolani	1,249,565	229,423	9	18.4%	89	\$3.58	\$1.81	(15,157)	(83,666)
King	78,547	15,202	2	19.4%	12	\$2.52	\$1.66	0	0
Leeward Oahu	603,712	44,295	8	7.3%	17	\$3.95	\$1.61	8,586	23,054
Waikiki	782,395	148,638	7	19.0%	78	\$4.25	\$1.81	8,749	14,628
Windward Oahu	110,165	6,814	3	6.2%	5	\$3.12	\$1.47	679	3,675
TOTAL	11,292,490	1,633,272	73	14.5%	608	\$3.18	\$1.52	(10,810)	(157,064)

BLDG CLASS	TOTAL SF	VACANT SF	NO. BLDG	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)	YTD ABSORPTION (SF)
A*	4,826,876	687,696	13	14.2%	198	\$2.91	\$1.45	(8,680)	(27,172)
B	6,465,614	945,576	60	14.6%	410	\$3.22	\$1.49	(2,130)	(129,892)
TOTAL	11,292,490	1,633,272	73	14.5%	608			(10,810)	(157,064)

* Class A Buildings are exclusively in CBD

CBD Class A Office Market Snapshot 4th Quarter 2014

Building	SF	Direct Vacancy	Vacant Sublease	Total Vacancy	Direct Vacancy Rate	Total Vacancy Rate	Qtr Absorption	YTD Absorption	Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
Alii Place	316,040	101,310	0	101,310	32.1%	32.1%	0	(3,498)	\$2.90 - \$2.90	\$1.35
Bishop Place	462,072	45,772	9,300	55,072	9.9%	11.9%	(11,317)	6,540	\$2.76 - \$2.91	\$1.51
Bishop Square / ASB Tower	483,455	60,086	0	60,086	12.4%	12.4%	(2,109)	3,245	\$2.62 - \$2.77	\$1.37
Bishop Square/Pauahi Tower	438,596	69,281	0	69,281	15.8%	15.8%	2,748	(19,867)	\$2.75 - \$2.85	\$1.40
Central Pacific Plaza	209,821	9,222	0	9,222	4.4%	4.4%	(1,097)	(2,337)	\$2.92 - \$2.92	\$1.42
City Financial Tower	180,563	21,404	0	21,404	11.9%	11.9%	(12,740)	(11,710)	\$2.64 - \$2.87	\$1.44
Davies Pacific Center	354,322	72,812	0	72,812	20.5%	20.5%	(2,019)	(14,384)	\$3.03 - \$3.03	\$1.48
First Hawaiian Center	379,336	0	12,900	12,900	0.0%	3.4%	12,808	29,473	\$2.92 - \$2.92	\$1.37
Harbor Court - Office Tower	186,138	21,141	0	21,141	11.4%	11.4%	(4,243)	(6,260)	\$2.85 - \$3.00	\$1.55
Pacific Guardian Center	632,157	75,899	0	75,899	12.0%	12.0%	7,133	(839)	\$2.77 - \$3.17	\$1.42
Pioneer Plaza	245,000	33,694	0	33,694	13.8%	13.8%	3,489	(5,306)	\$2.00 - \$2.69	\$1.39
TOPA Financial Center	483,776	63,798	0	63,798	13.2%	13.2%	82	(2,273)	\$2.92 - \$3.05	\$1.50
Waterfront Plaza	455,600	67,412	23,665	91,077	14.8%	20.0%	(1,415)	44	\$3.01 - \$3.01	\$1.51
Totals	4,826,876	641,831	45,865	687,696			(8,680)	(27,172)	Average Range \$2.78 - \$2.93	\$1.44
Vacancy rates		13.3%	1.0%	14.2%					\$2.00 - \$3.17	

NOTE ¹ Vacancies are from Loopnet, broker fact sheets, and/or telephone surveys. ² Base rents typically escalate annually by 3%