



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

Honolulu Office

MARKET REPORT 2016 - 3rd QUARTER



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Vacancy



\$RENT Asking Gross Rent

Asking Gross Rent

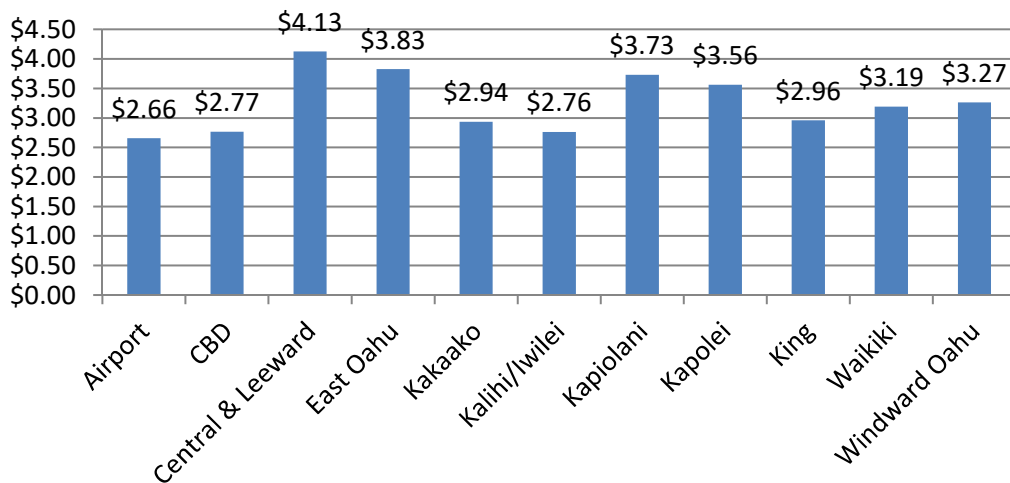


Operating Expense

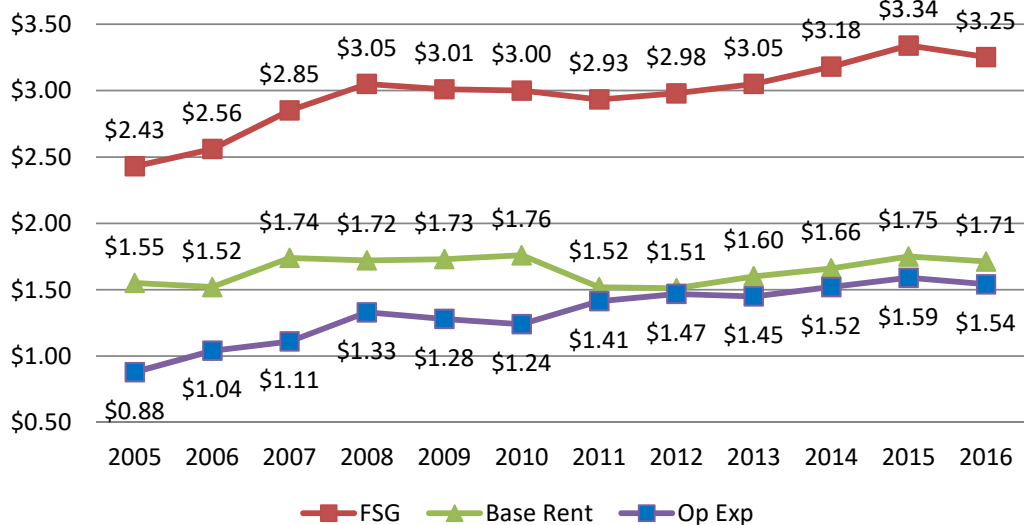


The Honolulu office market reversed course again as most of the market saw negative absorption in the 3rd quarter, although the market is still in positive occupancy territory for the year.

Asking Gross Rent (\$/SF/MTH)



Honolulu Asking Office Rent



44%

OF OAHU'S
INVENTORY
IS IN DOWNTOWN
DOWNTOWN

Occupancy decreased by 36,665 square feet which erased the 2nd quarter's gains and was spread over most of the submarkets. As a result, vacancy increased from 13.0% to 13.3%. The Central Business District Class A which represents 44% of the market increased its vacancy from 14.3% to 14.5%.



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Full Service Gross (FSG) asking rent (base rent plus full service operating expenses) remained unchanged at \$3.25/sf/mth. Hawaii Commercial Real Estate's index of available spaces increased from 550 to 567 spaces across the island.

TENANTS LOOKING FOR "READY TO OCCUPY" SPACE

As with most aspects of business, customers (tenants) are looking for rapid solutions.



Ready to Occupy: DTB Suite 230

They don't want to wait three to six months for a space to be designed, permitted and built-out, and they have a hard time visualizing how an obsolete layout can be modified to fit their business. The result is that several pro-active office properties like Pacific Guardian Center have invested in vacant spaces to make them "Ready to Occupy". In small spaces (under 1,000 square feet) this typically means paint and carpet, however Pacific Guardian Center and Bishop Square have recently spent a significant amount of capital to build out brand new offices in much larger spaces.

OAHU OFFICE MARKET SNAPSHOT - 2016, 3RD 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	77,843	4	13.5%	38	\$2.66	\$1.27	2,788	2,938
CBD	5,748,391	875,426	24	15.2%	294	\$2.77	\$1.40	(13,529)	(9,516)
Central & Leeward	206,634	19,064	6	9.2%	12	\$4.13	\$1.64	(6,107)	(11,570)
East Oahu	257,586	8,905	6	3.5%	9	\$3.83	\$1.56	1,957	3,457
Kakaako	1,338,687	108,035	6	8.1%	39	\$2.94	\$1.47	(5,191)	18,954
Kalihi/Iwilei	569,529	48,274	4	8.5%	16	\$2.76	\$1.35	3,449	3,300
Kapiolani	1,249,565	198,866	9	15.9%	101	\$3.73	\$1.93	(5,676)	15,674
Kapolei	320,048	52,017	3	16.3%	7	\$3.56	\$1.66	(3,009)	(10,320)
King	78,547	16,237	2	20.7%	13	\$2.96	\$1.47	(149)	(1,096)
Waikiki	575,072	60,390	7	10.5%	35	\$3.19	\$1.57	(8,393)	1,809
Windward Oahu	110,165	3,798	3	3.4%	3	\$3.27	\$1.63	(2,805)	(3,227)
TOTAL	11,029,266	1,468,855	74	13.3%	567	\$3.25	\$1.54	(36,665)	10,403

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	704,894	13	14.5%	191	\$2.87	\$1.40	(11,167)	(9,126)
B	6,181,261	763,961	61	12.4%	376	\$3.11	\$1.53	(25,498)	19,529
TOTAL	11,029,266	1,468,855	74	13.3%	567			(36,665)	10,403

* Class A Buildings are exclusively in CBD

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Individual Membership

HCRE Office Market Report: 2016-3Qtr

CBD CLASS A OFFICE MARKET SNAPSHOT - 2016, 3RD QUARTER

Building	Building SF	Direct Vacancy		Total Vacancy	Direct Vacancy Rate		Total Vacancy Rate	Qtr Absorption	YTD Absorption	Asking Full Service Gross Rents (\$/rsf/mth)		Operating Expenses (\$/rsf/mth)
		Vacancy	Sublease		Vacancy	Rate				Rate	Asking	
Alii Place	337,370	113,545	0	113,545	33.7%	33.7%	1,724	4,528	\$2.85	\$2.85	\$1.30	
Bishop Place	462,072	81,986	0	81,986	17.7%	17.7%	(7,243)	(4,486)	\$2.82	\$2.92	\$1.42	
Bishop Square/ASB Tower	483,455	34,474	0	34,474	7.1%	7.1%	6,748	8,110	\$2.61	\$2.61	\$1.21	
Bishop Square/Pauahi Tower	438,596	79,000	0	79,000	18.0%	18.0%	(1,339)	(12,668)	\$2.66	\$2.66	\$1.26	
Central Pacific Plaza	209,821	10,187	0	10,187	4.9%	4.9%	1,039	(1,445)	\$2.91	\$2.91	\$1.41	
City Financial Tower	180,563	14,230	0	14,230	7.9%	7.9%	(1,230)	4,002	\$2.84	\$2.84	\$1.44	
Davies Pacific Center	354,322	81,096	10,576	91,672	22.9%	25.9%	(6,905)	(3,699)	\$3.03	\$3.03	\$1.48	
First Hawaiian Center	379,336	0	0	0	0.0%	0.0%	12,900	12,900	\$2.90	\$2.90	\$1.35	
Harbor Court - Office Tower	186,138	20,225	0	20,225	10.9%	10.9%	0	3,359	\$3.00	\$3.01	\$1.55	
Pacific Guardian Center	631,956	82,323	0	82,323	13.0%	13.0%	(1,877)	(2,431)	\$2.78	\$3.18	\$1.43	
Pioneer Plaza	245,000	26,329	0	26,329	10.7%	10.7%	4,010	7,981	\$2.65	\$2.80	\$1.43	
TOPA Financial Center	483,776	78,229	2,610	80,839	16.2%	16.7%	(15,819)	(10,265)	\$2.97	\$2.97	\$1.47	
Waterfront Plaza	455,600	50,783	19,301	70,084	11.1%	15.4%	(3,175)	(15,012)	\$2.77	\$2.77	\$1.52	
Totals	4,848,005	672,407	32,487	704,894	13.9%		(11,167)	(9,126)	Weighted Averages	\$1.46	\$1.40	

Notes:

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

2 Base rents typically escalate annually by 3%