



Hawaii Commercial Real Estate, LLC
Established 2002

Honolulu Office

MARKET REPORT 2016 - 4th QUARTER



Vacancy



Asking Gross Rent



Operating Expense



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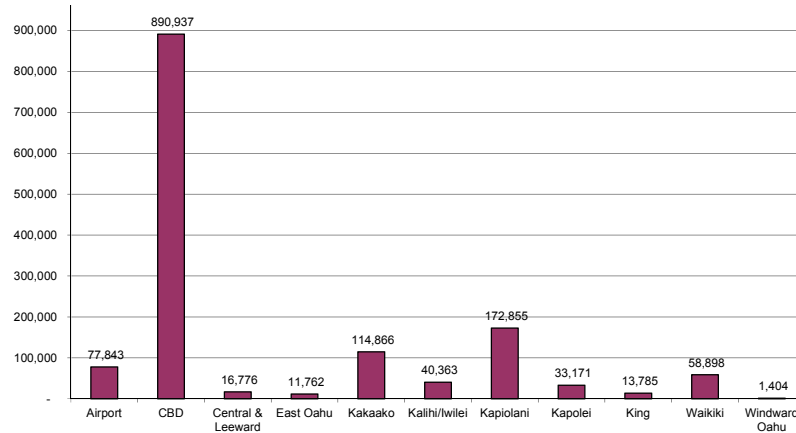
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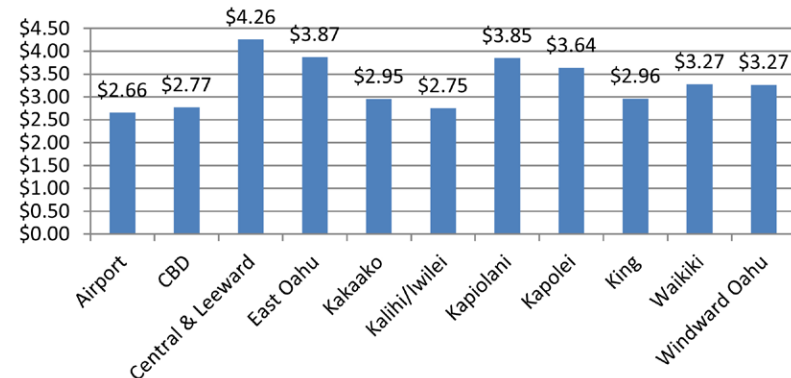
The overall Honolulu office market reversed course once again with positive absorption in the 4th quarter and ended the year with 46,598 square feet of more space occupied than at the end of 2015.

Honolulu Office Vacancy by Submarket (SF)



Vacancy for the market decreased from 13.3% to 13.0%. However, Honolulu's Central Business District (CBD) lost 15,511 sf or 0.3% of occupancy and ended the year with 25,027 of negative absorption. The CBD Class A which represents 44% of the market increased vacancy from 14.5% to 14.6%.

Asking Gross Rent (\$/SF/MTH)



Full Service Gross (FSG) asking rent (base rent plus full service operating expenses) increased from \$3.25 to \$3.30/sf/mth. Hawaii Commercial Real Estate's index of available spaces decreased slightly from 567 to 565 spaces across the island.

INNOVATION ECONOMY AND CO-WORKING CENTERS

Honolulu's innovation economy is quietly growing employment spurred on by several "incubators" and "accelerators" such as Blue Startups in Harbor Court, Energy Excelerator in 1000 Bishop, and XLR8UH in Manoa Innovation Center and Pioneer Plaza. Graduates and other innovation tenants tend to like more open space and facilities that provide shared resources and opportunities to collaborate and network.

This has spawned a new concept in office space called "co-working" which is the latest generation of more traditional office suites such as Regus in Waterfront Plaza and Premier Office Center in Pauahi Tower.



Left: Real Office Centers (ROC) Chinatown | Right: The Box Jelly



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Multiple companies and professionals work out of a single office environment that has common office infrastructure such as wi-fi, conference rooms, phone rooms, espresso bars and collaboration and networking events.

Honolulu's "co-working" centers currently include Real Office Centers (ROC) in Chinatown, The Box Jelly on Kamani Street, ProtoHUB in Pioneer Plaza, and Manoa Innovation Center. This concept has taken off in cities around the globe. Real Office Centers has 12 locations in Southern California plus Honolulu. WeWork, an international brand not currently in Hawaii, has 147 office locations in 35 cities in the North America, South America, Australia, Asia, Israel and Europe. And Regus, the traditional office suites global giant, is creating co-working facilities (but not in Hawaii yet).

These co-working centers are typically attracting small entrepreneurs who might otherwise work from home, clients' offices or Starbucks; but we have seen several traditional office tenants pass on traditional office space and go to ROC Chinatown.



ProtoHUB

The impact of co-working facilities has been multi-faceted from absorption of hard-to-lease office space (ROC Chinatown and The Box Jelly converted class C space) to traditional high rise space (ProtoHUB currently has space in Pioneer Plaza) to providing working space for office users who might be in a traditional office environment or working from home.

OAHU OFFICE MARKET SNAPSHOT - 2016, 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	77,843	4	13.5%	38	\$2.66	\$1.27	0	2,938
CBD	5,748,391	890,937	24	15.5%	307	\$2.77	\$1.40	(15,511)	(25,027)
Central & Leeward	206,634	16,776	6	8.1%	12	\$4.26	\$1.69	2,288	(9,282)
East Oahu	257,586	11,762	6	4.6%	10	\$3.87	\$1.64	(2,857)	600
Kakaako	1,338,687	114,866	6	8.6%	42	\$2.95	\$1.47	(6,831)	12,123
Kalihi/Iwilei	569,529	40,363	4	7.1%	14	\$2.75	\$1.37	7,911	11,211
Kapiolani	1,249,565	172,855	9	13.8%	93	\$3.85	\$2.02	26,011	41,685
Kapolei	320,048	33,171	3	10.4%	7	\$3.64	\$1.62	18,846	8,526
King	78,547	13,785	2	17.6%	11	\$2.96	\$1.47	2,452	1,356
Waikiki	575,072	58,898	7	10.2%	28	\$3.27	\$1.61	1,492	3,301
Windward Oahu	110,165	1,404	3	1.3%	3	\$3.27	\$1.63	2,394	(833)
TOTAL	11,029,266	1,432,660	74	13.0%	565	\$3.30	\$1.56	36,195	46,598

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	707,798	13	14.6%	202	\$2.88	\$1.40	(2,904)	(12,030)
B	6,181,261	724,862	61	11.7%	363	\$3.14	\$1.55	39,099	58,628
TOTAL	11,029,266	1,432,660	74	13.0%	565			36,195	46,598

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Individual Membership

HCRE Office Market Report: 2016-4Qtr

CBD CLASS A OFFICE MARKET SNAPSHOT - 2016, 4TH QUARTER

Building SF	Direct Vacant		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						
Alii Place	337,370	113,545	0	113,545	33.7%	33.7%			0	4,528	\$2.85 - \$2.85	\$1.30
Bishop Place	462,072	74,447	0	74,447	16.1%	16.1%			7,539	3,053	\$2.82 - \$2.92	\$1.42
Bishop Square/ASB Tower	483,455	33,675	0	33,675	7.0%	7.0%			799	8,909	\$2.61 - \$2.61	\$1.21
Bishop Square/Pauahi Tower	438,596	56,986	0	56,986	13.0%	13.0%			22,014	9,346	\$2.66 - \$2.66	\$1.26
Central Pacific Plaza	209,821	10,187	0	10,187	4.9%	4.9%			0	(1,445)	\$2.91 - \$2.91	\$1.41
City Financial Tower	180,563	14,230	0	14,230	7.9%	7.9%			0	4,002	\$2.84 - \$2.84	\$1.44
Davies Pacific Center	354,322	78,191	10,576	88,767	22.1%	25.1%			2,905	(794)	\$3.03 - \$3.03	\$1.48
First Hawaiian Center	379,336	47,736	0	47,736	12.6%	12.6%			(47,736)	(34,836)	\$2.90 - \$2.90	\$1.35
Harbor Court - Office Tower	186,138	18,900	0	18,900	10.2%	10.2%			1,325	4,684	\$3.00 - \$3.01	\$1.55
Pacific Guardian Center	631,956	84,914	0	84,914	13.4%	13.4%			(2,591)	(5,022)	\$2.78 - \$3.18	\$1.43
Pioneer Plaza	245,000	27,207	0	27,207	11.1%	11.1%			(878)	7,103	\$2.66 - \$2.81	\$1.44
TOPA Financial Center	483,776	72,949	0	72,949	15.1%	15.1%			7,890	(2,375)	\$2.97 - \$2.97	\$1.47
Waterfront Plaza	455,600	44,954	19,301	64,255	9.9%	14.1%			5,829	(9,183)	\$2.77 - \$2.77	\$1.52
Totals	4,848,005	677,921	29,877	707,798					(2,904)	(12,030)	Weighted Averages	
Vacancy rates		14.0%	0.6%	14.6%							\$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%