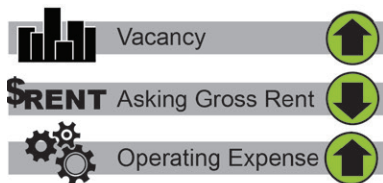




**Hawaii  
Commercial  
Real Estate, LLC**  
Established 2002

# Honolulu Office

## MARKET REPORT 2018 - 1<sup>st</sup> QUARTER



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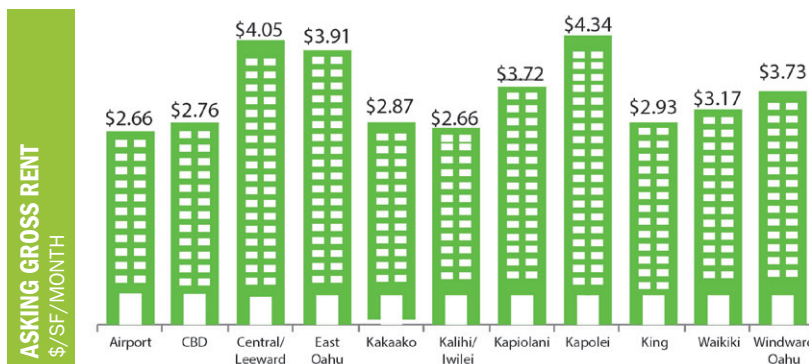
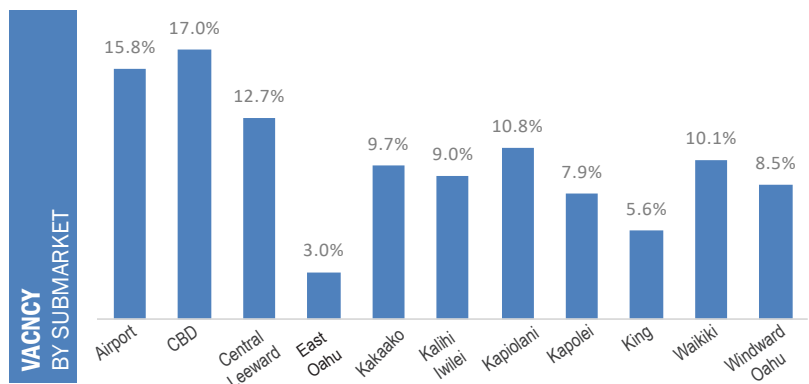
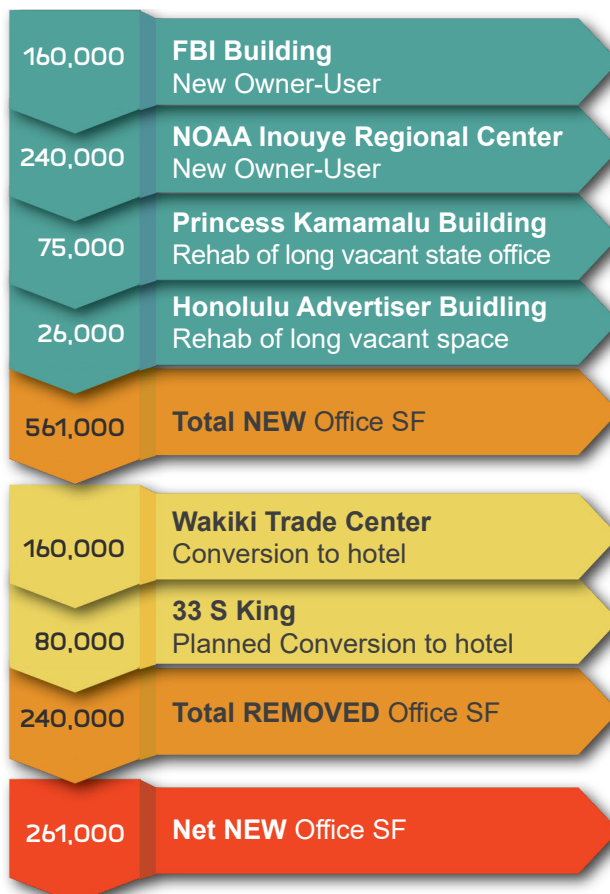


Individual Membership

Honolulu's office market ended the first quarter of 2018 with 71,119 sf of negative absorption which increased the overall vacancy rate from 13.1% to 13.7%.

Full Service Gross (FSG) asking rent (base rent plus full-service operating expenses) decreased from \$3.39/sf/month to \$3.35/sf/month. Hawaii Commercial Real Estate's index of available spaces increased from 571 to 588 spaces across the island.

### 500,000 SF OF NEW OFFICE INVENTORY?



It has been 22 years since the last major office building, First Hawaiian Center, was delivered to the Honolulu market. First Hawaiian Bank originally occupied

more than half of the 380,000 sf building, so the multi-tenant square footage increase was only about 150,000 sf. Office jobs are up; so why has vacancy increased if we have not been adding new inventory? We have long known that reductions in sf/employee has been a major contributor to negative absorption and vacancy increases, but the there is more to the story. By our estimates, owner-user office space has added 500,000 sf of inventory in the past 5-10 years. That's a large downtown office tower! Owner-user inventory is not



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HCRE Office Market Report: 2018-1Qtr

tracked so it does not have a direct impact inventory, but these buildings have pulled tenancy directly from other private office buildings and/or have created a trickle-down effect.

To be fair, about 240,000 sf has been removed from inventory during the same time with the conversion of Waikiki Trade Center to Hyatt Centric and 33 S. King's planned TBD conversion, so the net increase is 261,000 sf but that is still more than the net impact of First Hawaiian Center in 1996.

Looking ahead, ASB's new campus scheduled for occupancy in early 2018 will add another 135,000 sf of owner-user inventory which could have a similar effect. ASB will vacate tracked inventory in ASB Tower and 677 Ala Moana and will vacate untracked inventory in the Financial Plaza of the Pacific and Chinatown. A potential conversion of 1833 Kalakaua would remove about 90,000 sf of tracked office inventory.



ASB Campus will add 135,000 SF of owner-user inventory in 2018

## OAHU OFFICE MARKET SNAPSHOT - 2018, 1<sup>ST</sup> 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	90,804	4	15.8%	42	\$2.66	\$1.28	1,434	1,434
CBD	5,658,391	961,412	23	17.0%	299	\$2.76	\$1.41	(42,768)	(42,768)
Central & Leeward	206,634	26,260	6	12.7%	22	\$4.05	\$1.79	(2,733)	(2,733)
East Oahu	257,586	7,694	6	3.0%	6	\$3.91	\$1.45	52	52
Kakaako	1,338,687	129,227	6	9.7%	48	\$2.87	\$1.48	(21,326)	(21,326)
Kalihi/Iwilei	569,529	51,527	4	9.0%	16	\$2.66	\$1.33	10,077	10,077
Kapiolani	1,249,565	135,272	9	10.8%	99	\$3.72	\$1.84	(17,389)	(17,389)
Kapolei	320,048	25,394	3	7.9%	8	\$4.34	\$1.72	0	0
King	78,547	4,394	2	5.6%	5	\$2.93	\$1.49	2,384	2,384
Waikiki	575,072	57,831	7	10.1%	35	\$3.17	\$1.61	0	0
Windward Oahu	110,165	9,335	3	8.5%	8	\$3.73	\$1.67	(850)	(850)
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,499,150</b>	<b>73</b>	<b>13.7%</b>	<b>588</b>	<b>\$3.35</b>	<b>\$1.55</b>	<b>(71,119)</b>	<b>(71,119)</b>

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	814,967	13	16.8%	223	\$2.85	\$1.41	(28,466)	(28,466)
B	6,091,261	684,183	60	11.2%	365	\$3.16	\$1.46	(42,653)	(42,653)
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,499,150</b>	<b>73</b>	<b>13.7%</b>	<b>588</b>			<b>(71,119)</b>	<b>(71,119)</b>

\* Class A Buildings are exclusively in CBD

## CBD CLASS A OFFICE MARKET SNAPSHOT - 2018, 1<sup>ST</sup> QUARTER

	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	337,370	108,398	800	109,198	32.1%	32.4%	(800)	(800)	\$2.57 - \$2.57	\$1.32
Bishop Place	462,072	102,103	0	102,103	22.1%	22.1%	(3,475)	(3,475)	\$2.71 - \$2.71	\$1.31
Bishop Square/ASB Tower	483,455	26,501	0	26,501	5.5%	5.5%	12,304	12,304	\$2.74 - \$2.74	\$1.34
Bishop Square/Pauahi Tower	438,596	66,874	0	66,874	15.2%	15.2%	(11,707)	(11,707)	\$2.70 - \$2.70	\$1.30
Central Pacific Plaza	209,821	10,431	0	10,431	5.0%	5.0%	0	0	\$2.97 - \$2.97	\$1.47
City Financial Tower	180,563	38,391	0	38,391	21.3%	21.3%	0	0	\$2.79 - \$2.79	\$1.39
Davies Pacific Center	354,322	81,163	10,576	91,739	22.9%	25.9%	2,768	2,768	\$3.03 - \$3.03	\$1.48
First Hawaiian Center	379,336	47,736	0	47,736	12.6%	12.6%	0	0	\$3.05 - \$3.10	\$1.35
Harbor Court - Office Tower	186,138	22,292	0	22,292	12.0%	12.0%	1,166	1,166	\$2.97 - \$2.97	\$1.52
Pacific Guardian Center	631,956	86,981	1,780	88,761	13.8%	14.0%	8,328	8,328	\$2.83 - \$3.43	\$1.48
Pioneer Plaza	245,000	29,278	0	29,278	12.0%	12.0%	6,457	6,457	\$2.45 - \$2.70	\$1.45
TOPA Financial Center	483,776	69,308	17,208	86,516	14.3%	17.9%	750	750	\$2.90 - \$3.30	\$1.40
Waterfront Plaza	455,600	95,147	0	95,147	20.9%	20.9%	(44,257)	(44,257)	\$2.77 - \$2.77	\$1.52
<b>Totals</b>	<b>4,848,005</b>	<b>784,603</b>	<b>30,364</b>	<b>814,967</b>	<b>16.2%</b>	<b>16.8%</b>	<b>(28,466)</b>	<b>(28,466)</b>	<b>Weighted Averages \$2.85</b>	<b>\$1.41</b>

Notes: 1 Vacancies Are From Loopnet, Broker Fact Sheets, And/Or Telephone Surveys.  
2 Base Rents Typically Escalate Annually By 3%