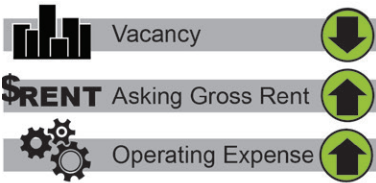




**Hawaii  
Commercial  
Real Estate, LLC**  
Established 2002

# Honolulu Office

## MARKET REPORT 2017 - 2<sup>nd</sup> QUARTER



Honolulu's office market reversed course again in the second quarter of 2017 with positive absorption in nearly every submarket and in both Class A and Class B properties.

The entire market grew occupancy by 84,953 square feet with nearly half of that in downtown's CBD. Class A high-rises which have struggled in recent quarters grew occupancy by nearly 35,000 square feet. As a result, overall vacancy decreased nearly a full percentage point from 13.2% to 12.4% while the CBD vacancy decreased from 16.9% to 15.9%. The Central Business District Class A which represents 44% of the market decreased its vacancy from 16.4% to 15.6%.



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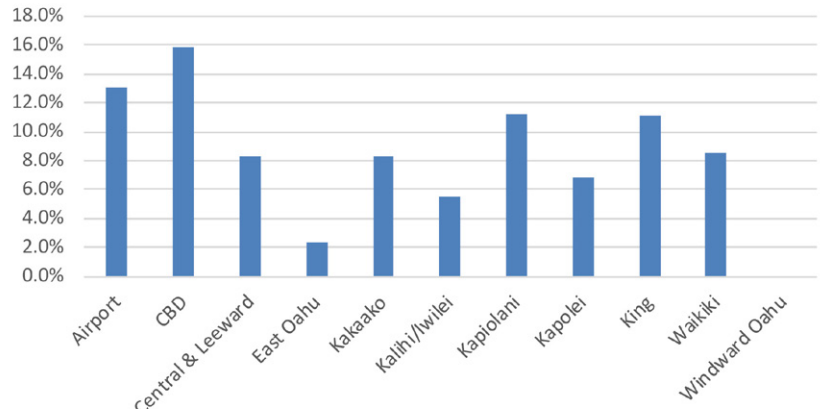
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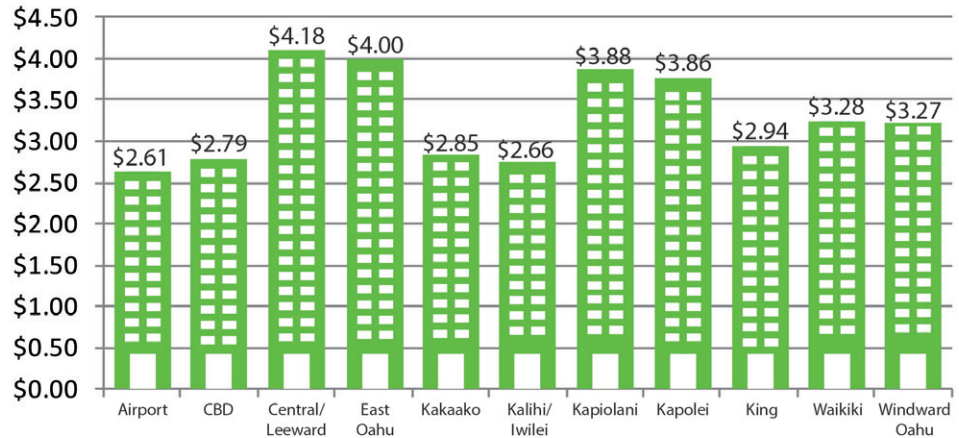
Individual Membership

### % VACANCY



The Central Business District Class A which represents 44% of the market decreased its vacancy from 16.4% to 15.6%.

### ASKING GROSS RENT \$/SF/MONTH



Full Service Gross (FSG) asking rent (base rent plus full-service operating expenses) increased from \$3.27/sf/mth to \$3.30/sf/mth, the same rate at the end of 2016. Hawaii Commercial Real Estate's index of available spaces decreased from 570 to 565 spaces across the island.

### IMPACT OF ASB CAMPUS

Construction of ASB's new campus across Aala Park, just Ewa of Chinatown, is well underway. It is scheduled to be completed 3rd quarter, 2018 and the bank plans on moving in during the 4th quarter of 2018. This project indirectly creates new inventory across the island as ASB vacates all or a portion of 5 properties. The largest



Rendering of American Savings Bank New Campus



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HCRE Office Market Report: 2017-2Qtr

is ASB's 55,000 square foot building which is part of the Financial Plaza of the Pacific, between BOH's headquarters and Pioneer Plaza. The bank has put the property on the market for sale. Each floor is already condo mapped making it a likely office condo project, or it could be a corporate headquarters for one of the few tenants in town that needs that much space. ASB will also be vacating several other buildings, some owned by the bank and some leased by the bank.

## MOVE-IN READY SPACES

Pacific Guardian Center and several other buildings continue to respond to market demand by outfitting vacant spaces so they are "move-in ready". With long permitting and construction timelines, high tenant improvement costs and shorter lease terms, more tenants are opting for spaces that are ready to go. They don't want to wait 4-6 months for design, permitting and construction. Move-in ready space improvements range from paint and carpet of an existing office to complete gut and rebuild in the case of old and obsolete configurations.



Move-In Ready: Dillingham Transportation Bldg.



Move-In Ready: Pacific Guardian Center

## OAHU OFFICE MARKET SNAPSHOT - 2017, 2<sup>ND</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	75,198	4	13.1%	39	\$2.61	\$1.22	(808)	2,645
CBD	5,658,391	899,514	23	15.9%	296	\$2.79	\$1.39	39,921	(62,241)
Central & Leeward	206,634	17,188	6	8.3%	11	\$4.18	\$1.64	(410)	(412)
East Oahu	257,586	5,878	6	2.3%	6	\$4.00	\$1.69	2,028	5,884
Kakaako	1,338,687	111,684	6	8.3%	43	\$2.85	\$1.49	(2,436)	3,182
Kalihi/Iwilei	569,529	31,489	4	5.5%	13	\$2.66	\$1.35	14,870	8,874
Kapiolani	1,249,565	140,355	9	11.2%	99	\$3.88	\$1.90	20,808	32,500
Kapolei	320,048	21,969	3	6.9%	10	\$3.86	\$1.64	1,172	11,202
King	78,547	8,677	2	11.0%	10	\$2.94	\$1.47	481	5,108
Waikiki	575,072	48,930	7	8.5%	30	\$3.28	\$1.62	9,327	9,968
Windward Oahu	110,165	-	3	0.0%	3	\$3.27	\$1.63	0	1,404
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,360,882</b>	<b>73</b>	<b>12.4%</b>	<b>560</b>	<b>\$3.30</b>	<b>\$1.55</b>	<b>84,953</b>	<b>18,114</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	758,602	13	15.6%	217	\$2.85	\$1.40	34,381	(50,804)
B	6,091,261	602,280	60	9.9%	343	\$3.18	\$1.50	50,572	68,918
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,360,882</b>	<b>73</b>	<b>12.4%</b>	<b>560</b>			<b>84,953</b>	<b>18,114</b>

\* Class A Buildings are exclusively in CBD

## CBD CLASS A OFFICE MARKET SNAPSHOT - 2017, 2<sup>ND</sup> QUARTER

	Building SF	Vacant		Direct Vacancy		Total Vacancy		Qtr Absorption	YTD Absorption	Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
		Vacancy	Sublease	Vacancy	Rate	Vacancy	Rate				
Alii Place	337,370	107,711	0	107,711	31.9%	31.9%	4,861	5,834	\$2.85 - \$2.85	\$1.30	
Bishop Place	462,072	83,365	0	83,365	18.0%	18.0%	10,123	(8,918)	\$2.77 - \$2.77	\$1.37	
Bishop Square/ASB Tower	483,455	37,784	0	37,784	7.8%	7.8%	(1,166)	(4,109)	\$2.61 - \$2.61	\$1.21	
Bishop Square/Pauahi Tower	438,596	53,840	0	53,840	12.3%	12.3%	26,352	3,146	\$2.66 - \$2.66	\$1.26	
Central Pacific Plaza	209,821	10,975	0	10,975	5.2%	5.2%	(788)	(788)	\$2.91 - \$2.91	\$1.41	
City Financial Tower	180,563	38,866	0	38,866	21.5%	21.5%	(17,954)	(24,636)	\$2.76 - \$2.76	\$1.36	
Davies Pacific Center	354,322	80,473	12,316	92,789	22.7%	26.2%	(3,355)	(4,022)	\$2.97 - \$3.02	\$1.46	
First Hawaiian Center	379,336	47,736	0	47,736	12.6%	12.6%	0	0	\$3.10 - \$3.10	\$1.35	
Harbor Court - Office Tower	186,138	23,347	0	23,347	12.5%	12.5%	6,622	(4,447)	\$3.00 - \$3.00	\$1.55	
Pacific Guardian Center	631,956	85,972	0	85,972	13.6%	13.6%	7,409	(1,058)	\$2.78 - \$3.18	\$1.43	
Pioneer Plaza	245,000	37,644	0	37,644	15.4%	15.4%	0	(10,437)	\$2.67 - \$2.82	\$1.45	
TOPA Financial Center	483,776	75,153	2,610	77,763	15.5%	16.1%	(563)	(4,814)	\$2.88 - \$2.88	\$1.38	
Waterfront Plaza	455,600	55,775	2,296	58,071	12.2%	12.7%	5,579	6,184	\$2.77 - \$2.77	\$1.52	
<b>Totals</b>	<b>4,848,005</b>	<b>738,641</b>	<b>17,222</b>	<b>755,863</b>	<b>15.2%</b>	<b>15.6%</b>	<b>37,120</b>	<b>(48,065)</b>	<b>Weighted Averages \$2.85</b>	<b>\$1.40</b>	

**Notes:**

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

<sup>2</sup> Base rents typically escalate annually by 3%