



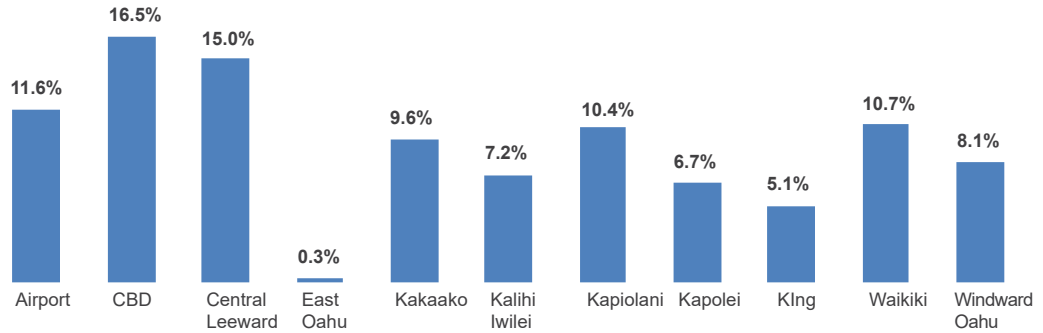
**Hawaii Commercial Real Estate, LLC**  
Established 2002

# Honolulu Office

## MARKET REPORT 2018 - 2<sup>nd</sup> QUARTER



Honolulu's office market ended the second quarter of 2018 with 77,340 sf of positive absorption which decreased the overall vacancy rate from 13.7% to 13.1%, the same rate at the end of 2017.



VACANCY BY SUBMARKET ↓



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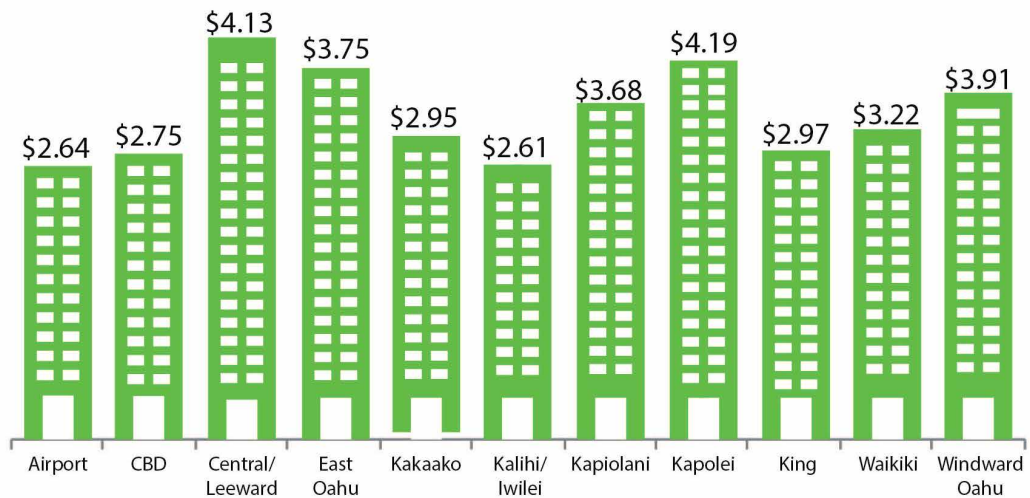


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Full Service Gross (FSG) asking rent (base rent plus full-service operating expenses) decreased from \$3.35/sf/mth to \$3.34/sf/mth. Hawaii Commercial Real Estate's index of available spaces increased from 571 to 572 spaces across the island.



ASKING GROSS RENT \$/SF/MONTH ↓

### CHANGE IN OFFICE DEMAND?

In recent months most of our showings are for smaller tenants (less than 2,000 sf with many less than 1,000 sf). The market has a limited supply of very small spaces (less than 500 sf), and we have seen premium rental rates for these spaces. At Pacific Guardian Center, for example, our vacancies less than 1,000 sf are leased almost as soon as we can get them ready to lease at very high rental rates.

We have seen an increase in business suites and co-working operations. For example, Impact Hub leased 14,000 sf last year at 1050 Queen Street just Mauka of the new Whole Foods in



Pacific Guardian Center



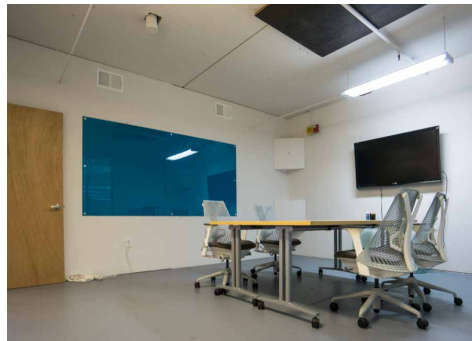
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Individual Membership

HCRE Office Market Report: 2018-2Qtr



Impact Hub's Co-Working space at 1050 Queen St.

Ward Village, and they are already expanding. 1164 Bishop converted several thousand sf of a vacant law firm space into a un-manned business suites operation, and they have 7 of 8 offices rented out. Pacific Guardian Center is converting a similar space with 8 window offices into PGC Business Suites and has its first tenant even before it is open.

We have even seen one of downtown's largest law firms offer another small law firm 3 offices and two workstations complete with support services for a very competitive price. The 60 day right to cancel by either party is a plus for the small law firm who wants flexibility.

What do these tenants have in common? They generally are looking for shorter term (less than 3 years) in spaces they can move into within a month. They tend to be service professionals such as attorneys, financial planners, mortgage brokers, CPAs and entrepreneurs. Many are tired of working from home and Starbucks.

## OAHU OFFICE MARKET SNAPSHOT - 2018, 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	66,941	4	11.6%	35	\$2.64	\$1.29	23,863	25,297
CBD	5,658,391	934,765	23	16.5%	292	\$2.75	\$1.41	34,487	(16,121)
Central & Leeward	206,634	31,046	6	15.0%	25	\$4.13	\$1.92	(4,786)	(7,519)
East Oahu	257,586	864	6	0.3%	5	\$3.75	\$1.65	6,830	6,882
Kakaako	1,338,687	128,717	6	9.6%	47	\$2.95	\$1.50	510	(20,816)
Kalihi/Iwilei	569,529	41,165	4	7.2%	14	\$2.61	\$1.27	10,362	20,439
Kapiolani	1,249,565	130,475	9	10.4%	97	\$3.68	\$1.82	4,797	(12,592)
Kapolei	320,048	21,468	3	6.7%	6	\$4.19	\$1.70	3,926	3,926
King	78,547	4,037	2	5.1%	5	\$2.97	\$1.49	357	2,741
Waikiki	575,072	61,276	7	10.7%	38	\$3.22	\$1.58	(3,445)	(3,445)
Windward Oahu	110,165	8,896	3	8.1%	8	\$3.91	\$1.67	439	(411)
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,429,650</b>	<b>73</b>	<b>13.1%</b>	<b>572</b>	<b>\$3.34</b>	<b>\$1.57</b>	<b>77,340</b>	<b>(1,619)</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	810,230	13	16.7%	217	\$2.85	\$1.41	12,577	(23,729)
B	6,091,261	619,420	60	10.2%	355	\$3.16	\$1.45	64,763	22,110
<b>TOTAL</b>	<b>10,939,266</b>	<b>1,429,650</b>	<b>73</b>	<b>13.1%</b>	<b>572</b>			<b>77,340</b>	<b>(1,619)</b>

\* Class A Buildings are exclusively in CBD

## CBD CLASS A OFFICE MARKET SNAPSHOT - 2018, 2<sup>ND</sup> QUARTER

Building	Building SF	Direct Vacancy	Vacant Sublease	Total Vacancy	Direct Vacancy Rate	Total Vacancy Rate	Qtr Absorption	YTD Absorption	Weighted Averages	
									Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)
Alii Place	337,370	108,398	800	109,198	32.1%	32.4%	0	(800)	\$2.57 - \$2.57	\$1.32
Bishop Place	462,072	100,258	0	100,258	21.7%	21.7%	1,845	(1,630)	\$2.71 - \$2.71	\$1.31
Bishop Square/ASB Tower	483,455	30,032	0	30,032	6.2%	6.2%	(3,531)	8,773	\$2.74 - \$2.74	\$1.34
Bishop Square/Pauahi Tower	438,596	74,820	0	74,820	17.1%	17.1%	(7,946)	(19,653)	\$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	33,624	0	33,624	18.6%	18.6%	4,767	4,767	\$2.79 - \$2.79	\$1.39
Davies Pacific Center	354,322	76,102	10,576	86,678	21.5%	24.5%	5,061	7,829	\$3.03 - \$3.03	\$1.48
First Hawaiian Center	379,336	47,736	4,487	52,223	12.6%	13.8%	(4,487)	(4,487)	\$3.05 - \$3.10	\$1.35
Harbor Court - Office Tower	186,138	22,476	0	22,476	12.1%	12.1%	(184)	982	\$2.97 - \$2.97	\$1.52
Pacific Guardian Center	631,956	82,356	7,840	90,196	13.0%	14.3%	6,405	6,893	\$2.83 - \$3.13	\$1.48
Pioneer Plaza	245,000	29,278	0	29,278	12.0%	12.0%	0	6,457	\$2.45 - \$2.70	\$1.45
TOPA Financial Center	483,776	62,171	17,208	79,379	12.9%	16.4%	7,137	7,887	\$2.90 - \$3.30	\$1.40
Waterfront Plaza	455,600	91,637	0	91,637	20.1%	20.1%	3,510	(40,747)	\$2.77 - \$2.77	\$1.52
<b>Totals</b>	<b>4,848,005</b>	<b>769,319</b>	<b>40,911</b>	<b>810,230</b>	<b>15.9%</b>	<b>16.7%</b>	<b>12,577</b>	<b>(23,729)</b>	<b>\$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%