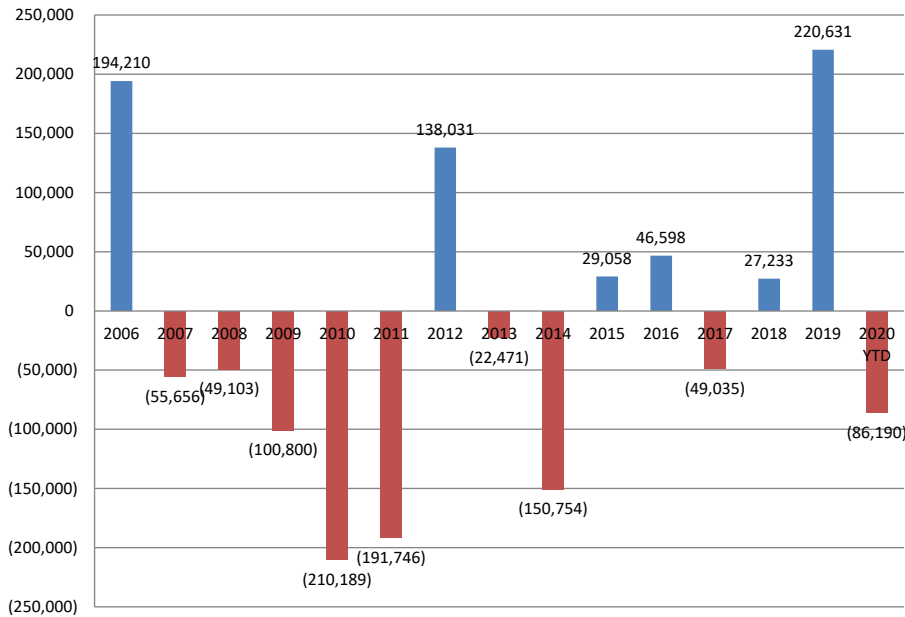
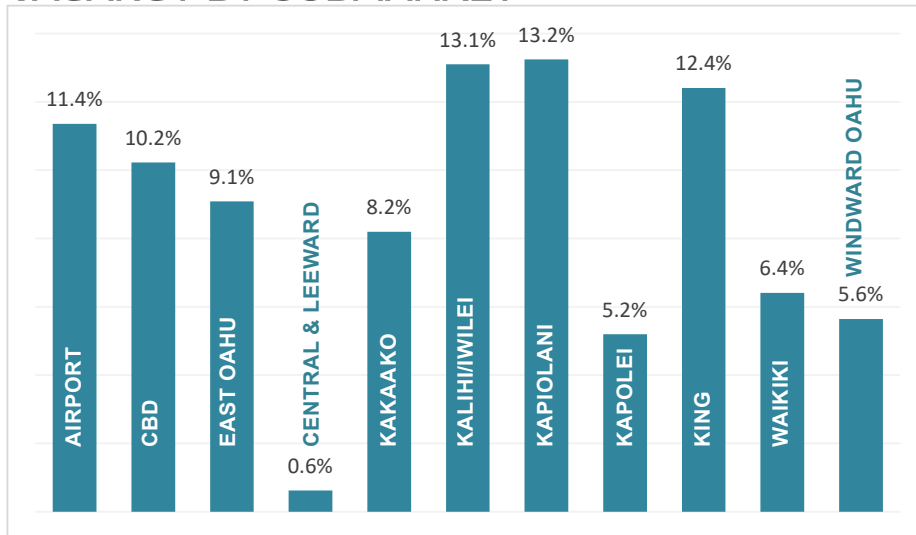


HONOLULU OFFICE MARKET REPORT

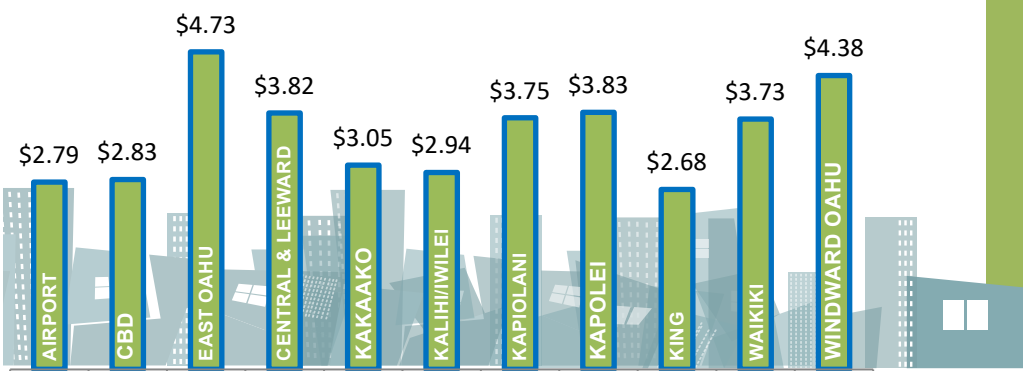
HONOLULU OFFICE MARKET ABSORPTION (SF)



VACANCY BY SUBMARKET



ASKING GROSS RENT - \$/SF/MONTH



2020 - 2ND QUARTER

VACANCY

ASKING GROSS RENT

OPERATING EXPENSE



The 2nd quarter of 2020 showed an acceleration of COVID 19 impacts as the Honolulu office market registered 63,873 sf of negative absorption which is on top of 22,317 sf of negative absorption in the 1st quarter. Showing activity continued to be very slow with most office tenants still working from home.

Interestingly, Full-Service Gross (FSG) asking rent INCREASED to \$3.50/sf/mth while the included operating expenses decreased to \$1.62/sf/mth. Hawaii Commercial Real Estate's index of available spaces increased to 433 spaces across the island.

Hawaii Commercial Real Estate, LLC
hawaiiCRE.com

CCIM SIOR
James M. Brown (B)
Individual Membership

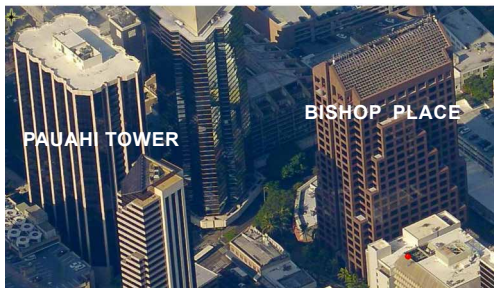
COVID IMPACTS AND “SHADOW VACANCY”

It seems clear that COVID will cause more negative absorption as office tenants embrace hoteling (desk sharing) and virtual work; and Hawaii’s damaged economy results in business closures and downsizing. However, because office leases typically run multiple years, it will take time for the COVID downsizes to show up in direct vacancy figures.

We are already seeing an increase of sublease listings, but because most are at least partially occupied, they do not show up in our vacancy numbers – we only count vacant sublease. Beyond spaces officially listed for sublease, we are seeing an increase in “shadow vacancy” which is excess leased space that is available – essentially off-market sublease space.



FACTORS THAT COULD MITIGATE COVID DOWNSIZING



1132 Bishop Place still has over 250,000 square feet of office tenancy, much of which will move to other office buildings in the next several year and both IRS and HART must move out of Alii Place to make way for HECO’s expansion. IRS has signed a lease at Pauahi for 21,000 sf which will show up as positive absorption in late 2020. Like the rail project in general, no one seems to know where HART will move.

OAHU OFFICE MARKET SNAPSHOT - 2020, 2QTR

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	65,318	4	11.4%	38	\$2.79	\$1.32	3,282	4,114
CBD	5,476,979	559,899	23	10.2%	201	\$2.83	\$1.42	(947)	(24,400)
Central & Leeward	206,634	18,775	6	9.1%	17	\$4.73	\$1.85	(262)	1,207
East Oahu	257,586	1,607	6	0.6%	1	\$3.82	\$1.37	(1,607)	1,393
Kakaako	1,338,687	109,718	6	8.2%	30	\$3.05	\$1.51	(4,195)	(7,388)
Kalihi/Iwilei	569,529	74,590	4	13.1%	24	\$2.94	\$1.33	(21,983)	(17,436)
Kapiolani	1,249,565	165,481	9	13.2%	104	\$3.75	\$1.90	(30,315)	(26,558)
Kapolei	320,048	16,615	3	5.2%	4	\$3.83	\$1.88	(519)	(11,495)
King	78,547	9,745	2	12.4%	6	\$2.68	\$1.33	(1,819)	(1,819)
Waikiki	444,617	28,493	5	6.4%	22	\$3.73	\$1.91	(4,163)	(1,876)
Windward Oahu	110,165	6,214	3	5.6%	8	\$4.38	\$1.98	(1,345)	(1,932)
TOTAL	10,627,399	1,056,455	71	9.9%	455	\$3.50	\$1.62	(63,873)	(86,190)

BLDG CLASS	TOTAL SF	VACANT SF	NO. BLDG	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)	YTD ABSORPTION (SF)
A*	4,666,593	414,678	13	8.9%	146	\$2.95	\$1.42	5,316	(9,331)
B	5,960,806	641,777	58	10.8%	309	\$3.33	\$1.65	(69,189)	(76,859)
TOTAL	10,627,399	1,056,455	71	9.9%	455			(63,873)	(86,190)

* Class A Buildings are exclusively in CBD

CBD CLASS A OFFICE MARKET SNAPSHOT - 2020, 2QTR

	Building SF	Direct Vacancy		Total Vacancy		Qtr Absorption	YTD Absorption	Asking Full Service Gross Rents (\$/rsf/mth)	Operating Expenses (\$/rsf/mth)		
		Vacancy	Vacancy	Rate	Sublease					Vacancy	Rate
Alii Place	337,370	2,839	2,839	0.8%	0	0	98,196	\$2.72 - \$2.72	\$1.36		
Bishop Place	281,000	0	0	0.0%	0	0	(80,477)				
Bishop Square/ASB Tower	483,455	35,299	35,299	7.3%	0	6,646	2,427	\$2.77 - \$2.77	\$1.37		
Bishop Square/Pauahi Tower	438,596	60,072	60,072	13.7%	0	5,600	(19,439)	\$2.73 - \$2.73	\$1.33		
Central Pacific Plaza	209,821	7,167	7,167	3.4%	0	0	226	\$2.97 - \$2.97	\$1.47		
City Financial Tower	180,563	4,833	4,833	2.7%	0	(1,608)	(2,842)	\$2.93 - \$3.05	\$1.42		
Davies Pacific Center	354,322	85,205	85,205	24.0%	0	5,896	4,004	\$2.96 - \$2.98	\$1.41		
First Hawaiian Center	379,336	24,217	24,217	6.4%	0	220	13,591	\$3.10 - \$3.10	\$1.35		
Harbor Court - Office Tower	186,138	24,898	24,898	13.4%	0	(908)	(3,857)	\$2.97 - \$2.97	\$1.52		
Pacific Guardian Center	631,616	58,665	58,665	9.3%	0	1,308	12,486	\$2.77 - \$3.42	\$1.42		
Pioneer Plaza	245,000	21,848	21,848	8.9%	0	(10,340)	(8,488)	\$2.70 - \$2.70	\$1.45		
TOPA Financial Center	483,776	75,099	75,099	15.5%	0	0	(23,084)	\$2.93 - \$3.13	\$1.53		
Waterfront Plaza	455,600	13,140	14,536	2.9%	1,396	(102)	(678)	\$2.79 - \$3.87	\$1.54		
Totals	4,666,593	413,282	414,678	8.9%	1,396	8.9%	6,712	(7,935)	Weighted Averages	\$2.95	\$1.42

Notes: 1 - Vacancies are from Loopnet, broker fact Sheets, and/or telephone surveys. 2 - Base Rents Typically Escalate Annually By 3%. 3 - Absorption does not include vacant sublease.