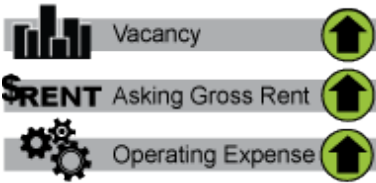




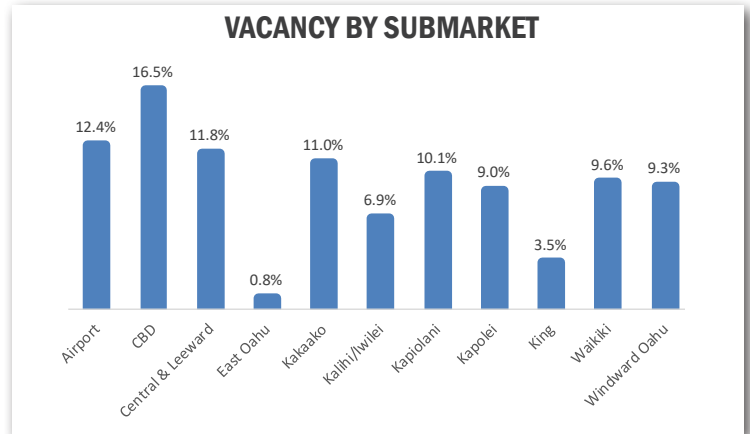
**Hawaii
Commercial
Real Estate, LLC**
Established 2002

Honolulu Office

MARKET REPORT 2018 - 3rd QUARTER



Honolulu's office market ended the third quarter of 2018 with 22,524 sf of negative absorption which increased the overall vacancy rate from 13.1% to 13.2%, slightly higher than the end of 2017. The largest occupancy losers were 677 Ala Moana Boulevard in Kakaako, Davies Pacific Center and Finance Factors Center downtown, and Campbell Square in Kapolei. Occupancy gainers included The Block and Topa Financial Center downtown.



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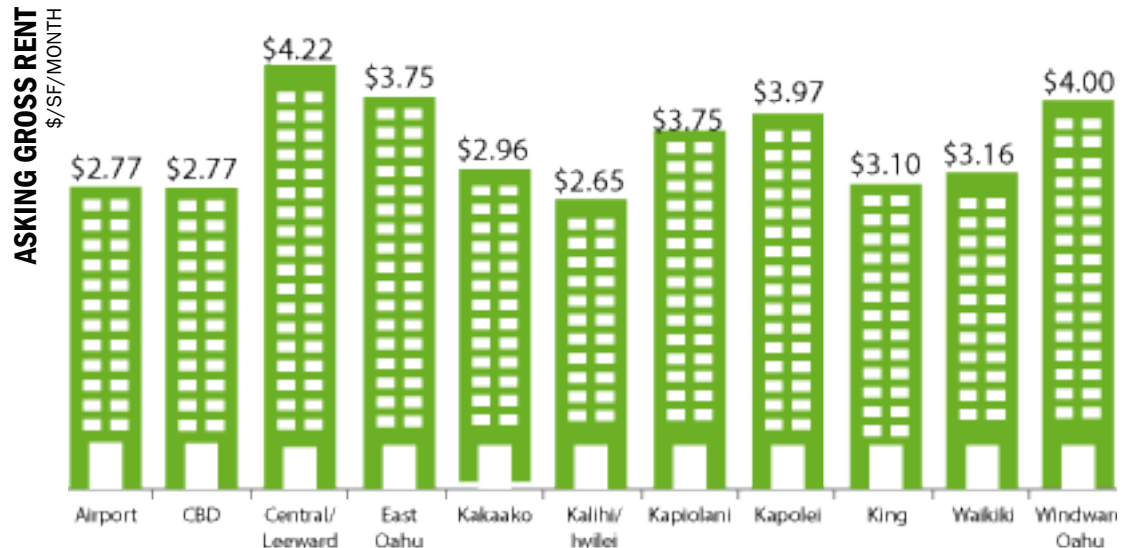
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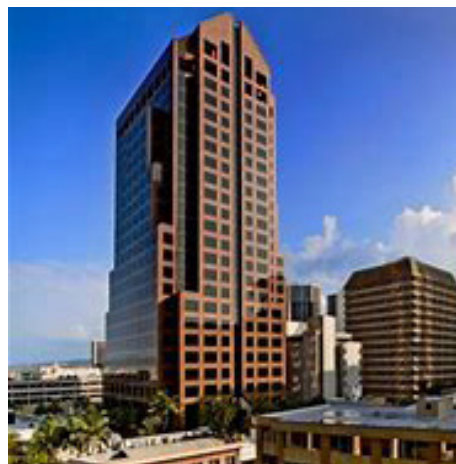
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Full Service Gross (FSG) asking rent (base rent plus full-service operating expenses) increased from \$3.34/sf/mth to \$3.37/sf/mth. Hawaii Commercial Real Estate's index of available spaces increased from 572 to 580 spaces across the island.



Bishop Square

CHANGES IN STORE FOR 2019?

For the first time in recent memory, there are multiple developments that could significantly change downtown's office market, and by extension the entire office market. On the plus side, HPU signed leases for about 100,000 square feet in Waterfront Plaza and Pioneer Plaza. About half of that tenancy comes from untracked buildings at the top of Fort Street and the former Hawaii Loa windward campus, so about 50,000 sf will end up as positive absorption in 2019. Also, Douglas Emmett is very close to pulling the trigger on converting Bishop Place to residential use which will take about 100,000 sf of occupancy off the market



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HCRE Office Market Report: 2018-3Qtr

and send about 300,000 sf of tenancy looking for a new home. Beyond Bishop Place, there are rumors of another developer converting another class A office building to a hotel and residential use. If both conversions occur, we could see vacancy drop well below 10% and a change to a landlord's market.

On the negative side, ASB will be moving to its new campus in 2019 and will be vacating more than 100,000 sf across multiple properties, however most of that is untracked inventory. Remington College is closing and will vacate about 30,000 sf of untracked office. In the longer run, Hawaiian Electric has an RFP out to consolidate its leased and owned office space in a single owned property. This could potentially create significant vacancies at ASB Tower and Central Pacific Plaza.

ASB moves to its new campus in 2019.



OAHU OFFICE MARKET SNAPSHOT - 2018, 3RD 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	71,386	4	12.4%	39	\$2.77	\$1.30	(4,445)	20,852
CBD	5,658,051	935,953	23	16.5%	300	\$2.77	\$1.41	(9,028)	(17,649)
Central & Leeward	206,634	24,337	6	11.8%	22	\$4.22	\$1.92	6,709	(810)
East Oahu	257,586	2,006	6	0.8%	5	\$3.75	\$1.65	(1,142)	5,740
Kakaako	1,338,687	147,286	6	11.0%	49	\$2.96	\$1.50	(18,569)	(39,385)
Kalihi/Iwilei	569,529	39,019	4	6.9%	12	\$2.65	\$1.31	2,146	22,585
Kapiolani	1,249,565	125,882	9	10.1%	91	\$3.75	\$1.85	4,593	(7,999)
Kapolei	320,048	28,679	3	9.0%	10	\$3.97	\$1.70	(7,211)	(3,285)
King	78,547	2,742	2	3.5%	2	\$3.10	\$1.55	1,295	4,036
Waikiki	575,072	54,946	7	9.6%	39	\$3.16	\$1.60	6,330	2,885
Windward Oahu	110,165	10,223	3	9.3%	11	\$4.00	\$1.63	(1,327)	(1,738)
TOTAL	10,938,926	1,442,459	73	13.2%	580	\$3.37	\$1.58	(20,649)	(14,768)

BLDG CLASS	TOTAL SF	VACANT SF	NO. BLDG	% VACANCY	# SPACES	AVG FSG (\$/SF/MTH)	AVG Operating Expenses	QTD ABSORPTION (SF)	YTD ABSORPTION (SF)
A*	4,847,665	816,783	13	16.8%	228	\$2.86	\$1.42	(14,393)	(30,622)
B	6,091,261	625,676	60	10.3%	352	\$3.20	\$1.47	(6,256)	15,854
TOTAL	10,938,926	1,442,459	73	13.2%	580			(20,649)	(14,768)

* Class A Buildings are exclusively in CBD

CBD CLASS A OFFICE MARKET SNAPSHOT - 2018, 3RD 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						
Alii Place	337,370	100,680	800	101,480	29.8%	30.1%	7,718	6,918	\$2.57 - \$2.57	\$1.32	
Bishop Place	462,072	109,059	0	109,059	23.6%	23.6%	(8,801)	(10,431)	\$2.71 - \$2.71	\$1.31	
Bishop Square/ASB Tower	483,455	32,705	0	32,705	6.8%	6.8%	(2,673)	6,100	\$2.74 - \$2.74	\$1.34	
Bishop Square/Pauahi Tower	438,596	74,888	0	74,888	17.1%	17.1%	(68)	(19,721)	\$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	34,100	0	34,100	18.9%	18.9%	(476)	4,291	\$2.79 - \$2.79	\$1.39	
Davies Pacific Center	354,322	97,909	0	97,909	27.6%	27.6%	(11,231)	(3,402)	\$3.03 - \$3.03	\$1.48	
First Hawaiian Center	379,336	47,736	4,487	52,223	12.6%	13.8%	0	(4,487)	\$3.05 - \$3.10	\$1.35	
Harbor Court - Office Tower	186,138	23,607	3,054	26,661	12.7%	14.3%	(4,185)	(3,203)	\$2.97 - \$2.97	\$1.52	
Pacific Guardian Center	631,616	87,630	0	87,630	13.9%	13.9%	(5,274)	9,459	\$2.83 - \$3.43	\$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	51,712	17,208	68,920	10.7%	14.2%	10,459	18,346	\$2.93 - \$3.33	\$1.43	
Waterfront Plaza	455,600	91,499	0	91,499	20.1%	20.1%	138	(40,609)	\$2.77 - \$2.77	\$1.52	
Totals	4,847,665	791,234	25,549	816,783	16.3%	16.8%	(14,393)	(30,282)	Weighted Averages	\$2.86	\$1.42

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