

Office Market Report

HONOLULU | MID - YEAR 2009

*“The times are changing;
strategic innovation is the key to
longevity.”*

*-Steven Marcus (S)
Senior Associate
Office Services Division*

MARKET INDICATORS

	MID - YEAR		
	2008	2009	2010
VACANCY	▲	▲	▲
NET ABSORPTION	▼	▼	▼
CONSTRUCTION	◆	◆	◆
RENTAL RATE	▼	▼	▼

OFFICE HIGHLIGHTS

YTD NET
ABSORPTION: **(209,850) SF**

VACANCY RATES: **10.15%**

AVERAGE FULL SERVICE ASKING RENT:

Islandwide:	\$2.85	psf/mo
Class A:	\$3.04	psf/mo
Class B:	\$3.09	psf/mo
Class C:	\$2.53	psf/mo

Island-wide Vacancy Rates Hit Double-Digits

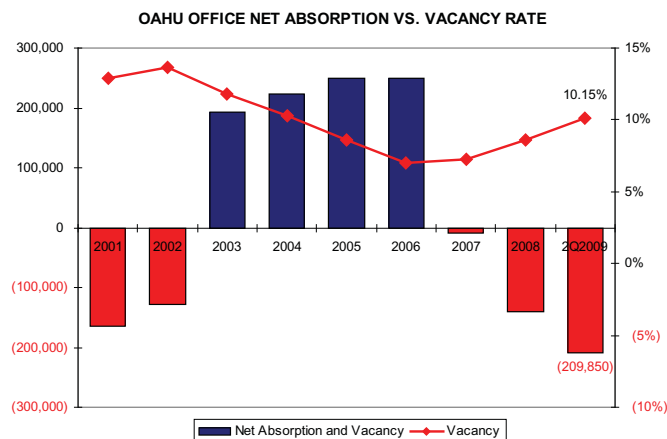
After five years of single-digit figures, the second quarter of 2009 saw the return of office vacancy rates above 10% for the island of Oahu. The recessionary environment has taken a toll on many businesses resulting in office downsizing, consolidation, closures and the postponement of expansion plans. Nearly 122,300 square feet of office space became vacant in the 2nd quarter, bringing the year-to-date net absorption to negative 209,850 square feet. Honolulu's office vacancy rate at mid-year was 10.15%, an increase of 1.55 percentage points since the year-end 2008 rate of 8.60%.

Job growth is a direct indicator of the health of the office market. In May, the unemployment rate reached an all time

high at 7.4%. The Honolulu office sector includes employees in the financial, professional services, and information technology sectors. The number of office jobs in Honolulu decreased 4.4% from 93,050 jobs in April 2008 to 89,000 jobs in April 2009.

Not all of Oahu's office submarkets reflected double-digit vacancy rates. The suburban markets of Leeward Oahu, East Oahu, and Windward Oahu, as well as the Kakaako/Kapiolani/King market, posted rates below 8.5%. However, all of these markets generated increases in vacancy with the exception of the Leeward Oahu market. Leeward Oahu continues to be the tightest submarket with a 4.4% vacancy. The limited inventory and strong tenant demand of

office space has kept vacancies low in this market. On the other end of the spectrum, Waikiki posted a record high vacancy rate of 18.38%, as the weak tourism market placed downward pressure on an already slow office market.



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Office Market Statistics

Submarket	Number of Buildings	Total Square Feet	Vacant Space	Vacancy Rate	YTD Net Absorption	Low Average Asking Rent	High Average Asking Rent	Average Operating Expenses
Airport/Mapunapuna	5	766,894	82,360	10.74%	8,493	\$1.40	\$1.58	\$0.96
Central Business District	62	8,064,293	880,632	10.92%	(88,795)	\$1.43	\$1.56	\$1.18
East Oahu	14	431,548	35,814	8.30%	(10,691)	\$2.02	\$2.07	\$1.21
Kakaako/Kapiolani/King	39	3,366,768	271,739	8.07%	(82,199)	\$1.52	\$1.71	\$1.23
Kalihi/Iwilei/Kapalama	9	954,585	95,763	10.03%	(34,479)	\$1.35	\$1.64	\$0.86
Leeward Oahu	15	886,755	35,557	4.01%	18,171	\$2.09	\$2.39	\$1.05
Waikiki	10	947,276	174,135	18.38%	(12,791)	\$1.38	\$1.60	\$1.50
Windward Oahu	9	287,964	18,154	6.30%	(7,559)	\$1.59	\$1.66	\$0.89
Totals	163	15,706,083	1,594,154	10.15%	(209,850)	\$1.60	\$1.76	\$1.17

Building Class	Number of Buildings	Total Square Feet	Vacant Space	Vacancy Rate	YTD Net Absorption	Low Average Asking Rent	High Average Asking Rent	Average Operating Expenses
Class A	13	4,699,502	540,567	11.50%	(26,860)	\$1.61	\$1.75	\$1.36
Class B	78	8,131,006	649,359	7.99%	(101,181)	\$1.77	\$1.95	\$1.23
Class C	72	2,875,575	404,228	14.06%	(81,809)	\$1.41	\$1.56	\$1.05
Totals	163	15,706,083	1,594,154	10.15%	(209,850)	\$1.60	\$1.76	\$1.17

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