Industrial Market Report

HONOLULU | SECOND QUARTER 2011

Mixed Signals Warrant Increased Uncertainty in Forecast

"Volatility exists beneath the flat vacancy levels"

-Scott L. Mitchell (B) SIOR
Executive Vice President

MARKET INDICATORS

	SECOND QUARTER 2010	2011	2012
VACANCY	▲	▲	▼
NET ABSORPTION	▼	▼	▲
CONSTRUCTION	◀▶	◀▶	◀▶
RENTAL RATE	▼	▼	◀▶

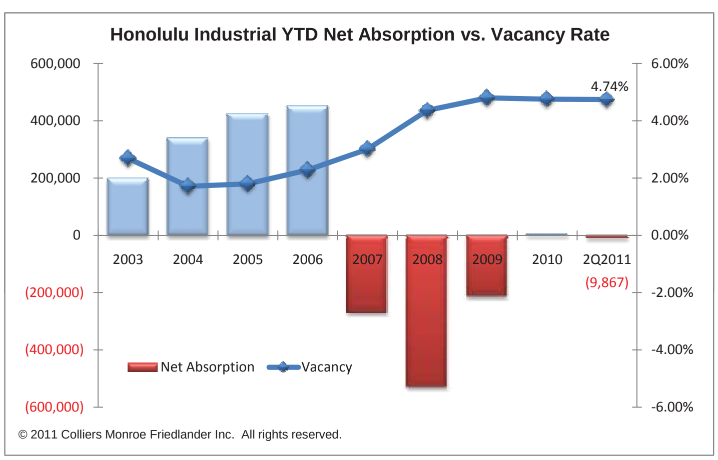
INDUSTRIAL HIGHLIGHTS

2Q NET ABSORPTION:	(86,989) SF
YTD NET ABSORPTION:	(9,867) SF
VACANCY RATE:	4.74 %
DIRECT WEIGHTED AVERAGE ASKING RATE NNN:	$ 0.91 PSF/MO
AVERAGE OPERATING EXPENSE:	$ 0.32 PSF/MO

Honolulu's industrial market posted a year-to-date loss of 9,867 square feet of occupancy which resulted in vacancy rates rising to 4.74% at mid-year. Despite this loss for the first six months of the year, there is an underlying volatility being experienced as quarterly absorption during the past three quarters fluctuated between negative 106,000 square feet and positive 77,000 square feet. In the second quarter of 2011, there was a negative 86,989 square feet of lost occupancy.

As for individual industrial parks, the greatest variance in vacancy rates occurred in the Bougainville/Halawa and the Pearl City/Aiea markets. The vacant Frito Lay building in Halawa added 66,000 square feet of vacancy to this market, driving vacancy rates upward from 3.7% to 6.03%. Three large warehouse listings totaling nearly 80,000 square feet of additional space were added to the Pearl City market boosting vacancy rates from 5.04% to 8.04%. Contrasting these occupancy losses, both the Gentry and Kapolei/Campbell markets, posted solid improvements over the past quarter as vacancy rates fell by 136 and 89 basis points, respectively. The industrial condo projects in these markets posted healthy absorption over the past two quarters, helping to boost occupancy.

Industrial market indicators are providing little assistance in forecasting the direction of the market as these economic factors reflect a mixed outlook. Weakness



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Second Quarter 2011 Oahu Industrial Market Statistics

Submarket	Number of Buildings	Building Area	Available Space	2Q Net Absorption	YTD Absorption	Vacancy Rate	Wtd. Avg. Net Asking Rent	Avg. Net Op. Exp.
Kalihi / Sand Island	712	9,402,428	473,495	(7,820)	70,822	5.04%	$0.90	$0.32
Kapalama Military Reserve	19	1,250,000	0	0	0	0.00%	N/A	N/A
Iwilei	94	2,433,603	28,753	6,858	16,492	1.18%	$0.98	$0.50
Airport / Mapunapuna	224	8,439,140	138,118	(4,940)	(23,248)	1.64%	$0.96	$0.33
Bougainville / Halawa	104	3,368,883	203,191	(80,610)	(56,943)	6.03%	$0.86	$0.30
Pearl City / Pearl City Industrial / Aiea	75	2,371,366	190,705	(71,441)	(33,649)	8.04%	$1.03	$0.39
Waipahu / Milltown	151	3,060,350	131,304	(1,944)	(60,265)	4.29%	$0.89	$0.32
Gentry Business Park	66	1,775,845	152,886	13,194	23,956	8.61%	$1.06	$0.46
Campbell Industrial Park / Kapolei Business Park / Kenai	256	5,605,778	471,480	72,028	49,985	8.41%	$0.83	$0.24
Kailua	49	510,189	28,616	(7,200)	3,375	5.61%	$1.20	$0.31
Kaneohe	41	546,601	19,935	(5,114)	(392)	3.65%	$0.96	$0.31
Totals	**1,791**	**38,764,183**	**1,838,483**	**(86,989)**	**(9,867)**	**4.74%**	**$0.91**	**$0.32**

*Weighted average rents are calculated on I-1 and I-2 zoned properties. IMX zoned properties, which can be used for retail, have been excluded from this rent calculation.

Featured Properties

FOR LEASE
Komohana Industrial Park

Area: Kapolei, Hawaii
Address: 91-029 Malakole Street
TMK: (1) 9-1-32-110 (portion of)
Zoning: I-2 Intensive Industrial
Size Available: 44,763 SF
Asking Rent: $0.85 psf/month
Op. Expenses: $0.13 psf/month
Contact: Scott L. Mitchell (B) SIOR
Guy V. Kidder (B) CCIM, SIOR

FOR LEASE
Newtown Business Park

Area: Aiea, Hawaii
Address: 98-790 Moanalua Road, Unit G-1
TMK: (1) 9-8-8-16
Zoning: I-2 Intensive Industrial
Size Available: 20,250 SF
Base Rent: $1.05 psf/month
Op. Expenses: $0.45 psf/month
Contact: Guy V. Kidder (B) CCIM, SIOR
Staci Castro (S)

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Commercial, Industrial, Investment, Consulting & Research Real Estate Services Since 1973

1800 Central Pacific Plaza
220 South King Street
Honolulu, HI 96813
Tel: 808-524-2666
Fax: 808-521-0977

www.colliershawaii.com

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If you would like additional information, please contact mike@colliershawaii.com.

Executive Management

Sarah Lee Morihara (S)
President / Managing Director
Tel: 523-9706
sarahm@colliershawaii.com

Consulting & Research

Mike Y. Hamasu
Consulting & Research Director
Tel: 808-523-9792
E-mail: mike@colliershawaii.com

Nanette C. Macapanpan (S)
Research Consultant / Project Manager
Tel: 808-523-9764
nanette@colliershawaii.com

Industrial Services Group

Scott L. Mitchell (B) SIOR
Executive Vice President
Tel: 808-523-9702
scott@colliershawaii.com

Guy V. Kidder (B) CCIM SIOR
Vice President
Tel: 808-523-9735
guy@colliershawaii.com

Ronald C. Ward (S)
Vice President
Tel: 808-523-9747
ronald@colliershawaii.com

William "Bill" Froelich (S) JD CCIM SIOR
Senior Associate
Tel: 808-523-9711
williamf@colliershawaii.com

Staci Castro (S)
Tel: 808-523-8339
staci@colliershawaii.com

Gail Jennings (S)
Tel: 808-523-8332
gail@colliershawaii.com

Property Management

Bobbie Lau (B) CPM
Senior Vice President

Tom Backman (S) RPA, CCIM
Vice President

Shelley Morisaki (B)
Senior Property Manager

Brennan Kalani Maika (S)
Senior Property Manager

Robert Sugiyama (S)
Property Manager

Melissa Ibanez (S)
Property Manager

Vera Wagner (S)
Property Manager

Clarissa Marquart (S)
Property Manager

Diana Dabalos (S)
Property Manager

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