

Office Market Report

HONOLULU | SECOND QUARTER 2011

“The light at the end of the tunnel keeps getting brighter.”

- Brandon Bera (S)
Office Services Division

MARKET INDICATORS

SECOND QUARTER
2010 2011 2012

VACANCY	▲	▲	◆
NET ABSORPTION	▼	▼	◆
CONSTRUCTION	◆	◆	◆
RENTAL RATE	▼	▼	◆

OFFICE HIGHLIGHTS

YTD NET ABSORPTION: (26,043) SF

VACANCY RATE: 12.11%

AVERAGE FULL SERVICE ASKING RENT:

Islandwide: \$ 2.80 psf/mo
Class A: \$ 2.95 psf/mo
Class B: \$ 3.03 psf/mo
Class C: \$ 2.92 psf/mo

Office Sector Benefits as Employment Outlook Improves

Honolulu's office market posted a negative 26,043 square feet of net absorption, year-to-date. This resulted in office vacancy rates rising from 11.75% to 12.11% over the past six months. This makes six consecutive quarters of lost occupancy and reflects the lackluster economic conditions and weakened tenant demand that has dampened the market's recovery.

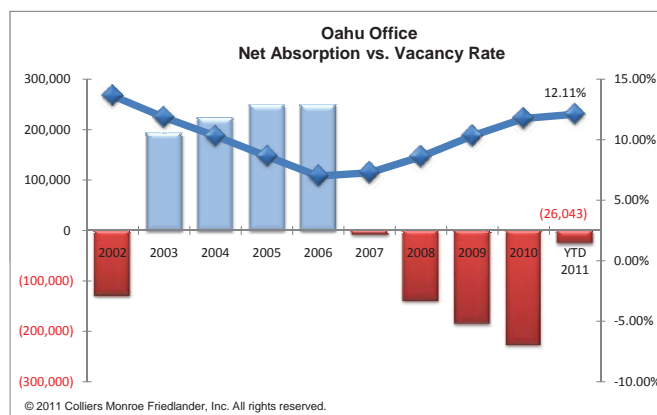
Many landlords are eagerly anticipating any signs that the market is beginning to stabilize and that job growth will start to materialize. Compared to the first six months of 2010, which recorded a year-to-date negative net absorption of 167,379 square feet, there remains optimism that this market is in transition and that the office market will strengthen

over the next few quarters. Honolulu's unemployment rate fell to 4.6% in April 2011, its lowest level in 28 months and the third consecutive month of decline. The unemployment rate appears to have peaked during the summer of 2009 when the June jobless rate rose to 6.8%, the highest level in more than 21 years.

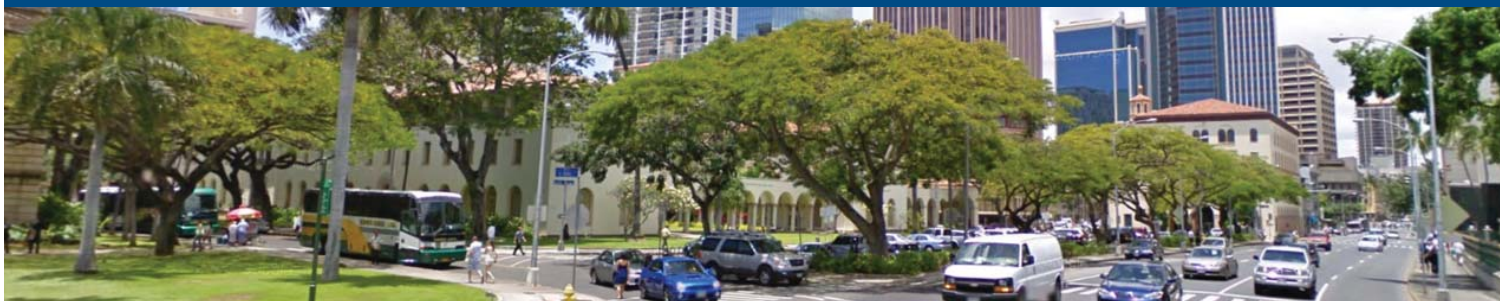
Over the past year (April 2010 to April 2011), job growth has re-emerged for Honolulu county with 2,350 total wage and salary jobs being added. These gains will hopefully translate into office tenant demand.

Growth among the office sector has been more prolific with more than 5,400 positions created during this time period. The information services component

of the office sector recorded a 30% gain in positions to 2,100 jobs and the professional/business services sectors boosted payrolls by



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Second Quarter 2011 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	6	814,894	81,182	9.96%	8,444	\$1.63	\$1.69	\$1.03
Central Business District	62	8,073,919	997,435	12.35%	(4,874)	\$1.35	\$1.51	\$1.21
East Oahu	14	431,548	31,669	7.34%	6,701	\$1.88	\$1.91	\$1.29
Kakaako/Kapiolani/King	39	3,366,768	317,334	9.43%	(5,618)	\$1.39	\$1.46	\$1.30
Kalihi/Iwilei/Kapalama	9	885,272	147,624	16.68%	(41,300)	\$1.30	\$1.45	\$0.91
Leeward Oahu	14	832,277	101,321	12.17%	(7,028)	\$2.02	\$2.20	\$1.14
Waikiki	10	932,954	195,099	20.91%	10,192	\$1.41	\$1.52	\$1.53
Windward Oahu	7	245,921	14,768	6.01%	7,440	\$1.71	\$1.77	\$1.12
Totals	161	15,583,553	1,886,432	12.11%	(26,043)	\$1.52	\$1.63	\$1.23

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Building Class	Number of Buildings	Total Square Feet	Vacant Space	Vacancy Rate	Net Absorption	Low Average Asking Rent	High Average Asking Rent	Average Operating Expenses
Class A	13	4,709,128	624,816	13.27%	(48,154)	\$1.51	\$1.71	\$1.34
Class B	78	8,040,893	887,788	11.04%	(8,815)	\$1.67	\$1.79	\$1.30
Class C	70	2,833,532	373,828	13.19%	30,926	\$1.35	\$1.44	\$1.12
Totals	161	15,583,553	1,886,432	12.11%	(26,043)	\$1.52	\$1.63	\$1.23

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Executive Management

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

Consulting & Research

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

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

Office Services Group

Sean G. Tadaki (S)
Vice President, CCIM
Office Division Manager
Tel: 523-9745
sean@colliershawaii.com

Susan S. Ichimasa (B)
Senior Associate
Tel: 523-9704
susan@colliershawaii.com

Karen Birkett (S)
Associate
Tel: 523-9729
karen@colliershawaii.com

Matt Gramlich (S)
Associate
Tel: 523-8311
matt@colliershawaii.com

Brandon Bera (S)
Associate
Tel: 523-8309
brandon@colliershawaii.com

Megan Malloy (S)
Associate
Tel: 523-9731
megan@colliershawaii.com

Robert "RJ" Dornbos (S)
Associate
Tel: 523-9791
robertd@colliershawaii.com

Sarkis "Sako" Kitsinian (S)
Associate
Tel: 523-8314
sako@colliershawaii.com

Office Property Management

Bobbie Lau (B) CPM
Senior Vice President

Tom Backman (S) RPA, CCIM
Vice President

Brennan Kalani Maika (S)
Senior Property Manager

Rachel Hedge (S)
Senior Property Manager

Tess Hirai (S)
Property Manager

Robert Sugiyama (S)
Property Manager

Clarissa Auyong (S)
Property Manager

Diana Dabalos (S)
Property Manager

Lailani Lowman (S)
Property Manager



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& Research Real Estate
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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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