

Office Market Briefing

HONOLULU | THIRD QUARTER 2011

“Weak job markets translated into sizeable third quarter occupancy losses.”

- Sean G. Tadaki (S) CCIM
Vice President

MARKET INDICATORS

	THIRD QUARTER		
	2010	2011	2012
VACANCY	▲	▲	◆
NET ABSORPTION	▼	▼	◆
CONSTRUCTION	◆	◆	◆
RENTAL RATE	▼	▼	▼

OFFICE HIGHLIGHTS

3RD QUARTER NET ABSORPTION: (127,606) SF

YTD NET ABSORPTION: (153,649) SF

VACANCY RATE: 12.89%

AVERAGE FULL SERVICE ASKING RENT:
 Islandwide: \$ 2.80 PSF/MO
 Class A: \$ 2.95 PSF/MO
 Class B: \$ 3.06 PSF/MO
 Class C: \$ 2.50 PSF/MO

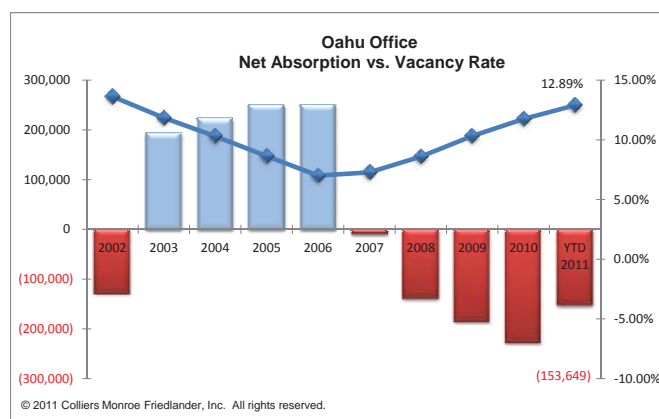
Market Takes a Step Backward

Honolulu's office market is doing the economic "cha cha", with two steps forward and one step back. Market indicators reflected that the bottom had been reached and that the office market would begin improving soon. However, the third quarter reflected an economy still trying to establish a firm foundation from which to grow. Unfortunately, year-to-date negative net absorption of 153,649 square feet pushed vacancy rates to its highest level in ten years and continued five consecutive years of lost occupancy. The 12.89% office vacancy rate mirrors the market following the September 11, 2001 terrorist attacks and indicates that the business environment during the first half of 2011 was not conducive for office expansion.

Honolulu's unemployment rate, which fell from 6.1% to 5.4% over the past two years, is benefiting from job growth in the healthcare and education fields which added 3,700 new positions. Additionally, solid improvement is evident among information services and professional business services jobs, which added more than 2,300 employees to payrolls. However, the financial services industry generated a loss of 750 workers over the past two years.

Another major employment generator for the office sector is the construction industry. Unfortunately, job creation among the construction, wholesale and manufacturing sectors is still lagging. More than 3,050 industrial

jobs have been lost since July 2009. This corresponds to a 21% decline in construction permit volume over the past year.





Third 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	65,527	8.04%	24,099	\$1.65	\$1.75	\$1.14
Central Business District	62	8,073,919	1,099,137	13.61%	(106,576)	\$1.32	\$1.49	\$1.22
East Oahu	14	431,548	29,725	6.89%	8,645	\$1.88	\$1.91	\$1.29
Kakaako/Kapiolani/King	39	3,366,768	343,021	10.19%	(31,305)	\$1.38	\$1.49	\$1.33
Kalihi/Iwilei/Kapalama	9	885,272	138,919	15.69%	(32,595)	\$1.27	\$1.45	\$0.95
Leeward Oahu	14	832,277	117,069	14.07%	(27,602)	\$2.00	\$2.24	\$1.15
Waikiki	10	932,954	206,352	22.12%	(1,061)	\$1.32	\$1.51	\$1.54
Windward Oahu	7	245,921	9,462	3.85%	12,746	\$1.74	\$1.77	\$1.12
Totals	161	15,583,553	2,009,212	12.89%	(153,649)	\$1.50	\$1.64	\$1.24

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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	669,188	14.21%	(92,526)	\$1.48	\$1.71	\$1.35
Class B	78	8,040,893	952,614	11.85%	(78,467)	\$1.66	\$1.81	\$1.33
Class C	70	2,833,532	387,410	13.67%	17,344	\$1.32	\$1.43	\$1.12
Totals	161	15,583,553	2,009,212	12.89%	(153,649)	\$1.50	\$1.64	\$1.24

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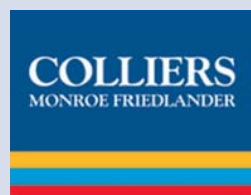
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