

RETAIL MARKET

Second Quarter 2020

Accelerating success.

<p>Vacancy Rate ↑ 5.97% 1Q-2Q 2020</p>	<p>2Q Net Absorption SF ↓ (18,942) 1Q-2Q 2020</p>	<p>Construction SF ↑ 164,000 1Q-2Q 2020</p>	<p>Rental Rate NNN PSF/Month ↓ \$4.18 1Q-2Q 2020</p>
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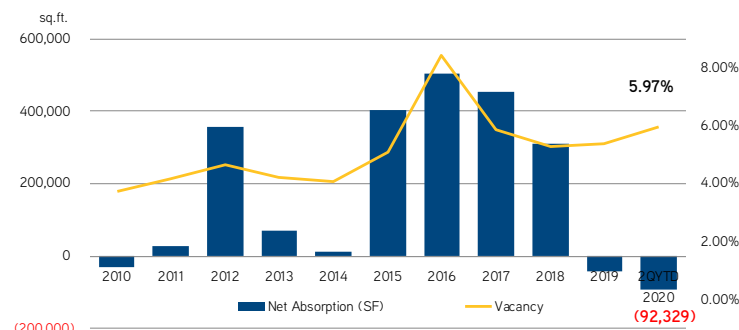
Full Effect of COVID-19 Not Seen Yet

Mike Hamasu Director of Research | Hawaii

Prior to COVID-19, Oahu’s retail market had already been showing signs of a downturn. Store closures and bankruptcies occurred with regular frequency, leaving empty storefronts in their wake. With a second quarter loss of 18,942 square feet, we enter the fifth consecutive quarter of negative net absorption as vacancy rates continued to rise, hitting 5.97%.

In reviewing second quarter statistics, it appears that the pandemic and the economic tempest that followed, did not immediately materialize in a surge of available retail space. However, it is still too early to predict how the market will be affected in the coming months. As stores begin to reopen, many are navigating the impact that social distancing and sanitation prerequisites will have on their businesses.

Oahu Retail Net Absorption vs. Vacancy Rate



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“COVID-19 has changed the retail marketplace. Those that are adapting and being innovative will be in a better position to survive.”

Andy Kazama (S), Senior Associate

<p>2Q2019 YTD Net Absorption SF (27,649)</p>	→	<p>2Q2020 YTD Net Absorption SF (92,329)</p>
<p>5.37% 4Q2019 Vacancy Rate</p>	→	<p>5.97% 2Q2020 Vacancy Rate</p>

Retail Statistics

Source: Dept of Business, Economic Development and Tourism



RETAIL JOB LOSSES
MARCH 2020 TO MAY 2020
(34,600)
POSITIONS

AIR PASSENGER ARRIVALS
YTD MAY 2019 VS YTD MAY 2020
(37.9%)

HOTEL OCCUPANCY
MAY 2019 → MAY 2020
82.9% → 13.1%

Second Quarter 2020 - Oahu Retail Market Statistics

RETAIL MARKET INVENTORY - BY SUBMARKET AREA

	TOTAL INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG. LOW NNN ASKING RENTS (PSF/MO)	AVG. HIGH NNN ASKING RENTS (PSF/MO)	AVG. CAM EXPENSES (PSF/MO)
CENTRAL OAHU	889,235	19,802	2.23%	4,661	\$3.75	\$3.96	\$1.36
EAST OAHU	1,521,774	37,732	2.48%	17,214	\$5.34	\$6.41	\$1.75
HONOLULU*	4,514,761	226,187	5.01%	(65,068)	\$3.34	\$5.02	\$1.62
LEEWARD OAHU	4,287,506	250,658	5.85%	(9,352)	\$3.53	\$4.12	\$1.29
NORTH SHORE	225,125	840	0.37%	(840)	\$3.68	\$3.88	\$1.71
WAIANAIE	342,060	36,369	10.63%	2,370	\$2.00	\$2.83	\$1.01
WAIKIKI	1,618,460	152,132	9.40%	(30,291)	\$10.92	\$19.49	\$2.97
WEST OAHU	1,840,133	94,773	5.15%	(11,321)	\$4.18	\$5.39	\$1.43
WINDWARD OAHU	1,670,150	191,473	11.46%	298	\$3.19	\$4.65	\$1.43
TOTALS*	16,909,204	1,009,966	5.97%	(92,329)	\$3.72	\$4.76	\$1.46

*Islandwide total for average rents and CAM calculations exclude Waikiki and Ala Moana Center

RETAIL MARKET INVENTORY - BY BUILDING CLASS

	TOTAL INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG. LOW NNN ASKING RENTS (PSF/MO)	AVG. HIGH NNN ASKING RENTS (PSF/MO)	AVG. CAM EXPENSES (PSF/MO)
COMMUNITY/POWER CENTER	3,295,502	142,312	4.32%	(48,234)	\$3.83	\$4.64	\$1.58
NEIGHBORHOOD	4,725,648	256,730	5.43%	0	\$3.81	\$4.47	\$1.36
REGIONAL*	5,315,145	314,573	5.92%	(17,091)	\$4.51	\$9.99	\$2.35
RESORT/SPECIALTY	1,789,657	160,157	8.95%	(28,811)	\$10.40	\$18.74	\$2.84
STRIP	1,783,252	136,194	7.64%	451	\$3.54	\$4.91	\$1.43
TOTALS**	16,909,204	1,009,966	5.97%	(93,685)	\$3.72	\$4.76	\$1.46

* Includes Ala Moana Center in calculations

**Islandwide total for average rents and CAM calculations exclude Waikiki and Ala Moana Center

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TERMS AND DEFINITIONS

- › TOTAL INVENTORY - Total rentable square footage in shopping centers greater than 20,000 square feet.
- › NET ABSORPTION - The net change in occupied space over a period of time. Year-to-date net absorption is the difference in occupied space between the end of the previous year and the current quarter.
- › AVERAGE ASKING RENT - The ratio of aggregate landlord asking rents divided by the total available space within a specific geography or building class.
- › VACANT SPACE - Space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- › VACANCY RATE - The ratio of vacant space divided by the total inventory square footage.
- › AVERAGE OPERATING EXPENSE - The ratio of tenant expenses, such as building utilities, management fees, building maintenance, real property taxes and insurance, divided by the total available space within a specific geography or building class.
- › NNN "TRIPLE-NET" RENT - Rents paid to the landlord that do not include building operating expenses and additional taxes and fees.

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