

# OFFICE MARKET

## First Quarter 2018

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# Market Summary

**Mike Hamasu** Director of Research | Hawaii

- > The Oahu office posted a loss of 26,647 square feet of negative occupancy for the first quarter of 2018, resulting in an increase in vacancy rates to 13.01%.
- > The Central Business District (“CBD”) continued to struggle as it posted 47,058 square feet of negative absorption and vacancy rates rose to a record high of 17.1%.
- > Oahu’s unemployment rate fell to a historic low of 1.7% for December 2017.
- > Professional and business services, a major component of the office job sector, lost 4,500 positions for the year. This is the first time in five years that the office sector has lost jobs.
- > While the CBD has demonstrated soft conditions, the suburban markets continue to generate the majority of the island’s rental rate growth.
- > Landlords remain concerned about the upcoming consolidation and relocation of the American Savings Bank facilities to its new headquarters which is slated for completion later this year.
- > Colliers anticipates vacancy rates will likely rise above 14% by the end of 2018.

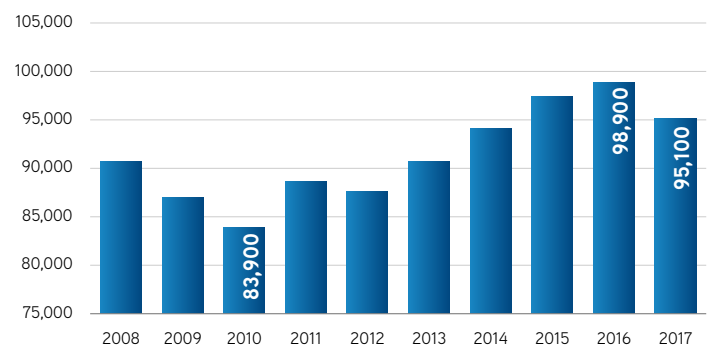
### Market Indicators

Relative to 4Q2017	1Q2018
VACANCY	↑
NET ABSORPTION	↓
CONSTRUCTION	↔
RENTAL RATES	↑

### Summary Statistics

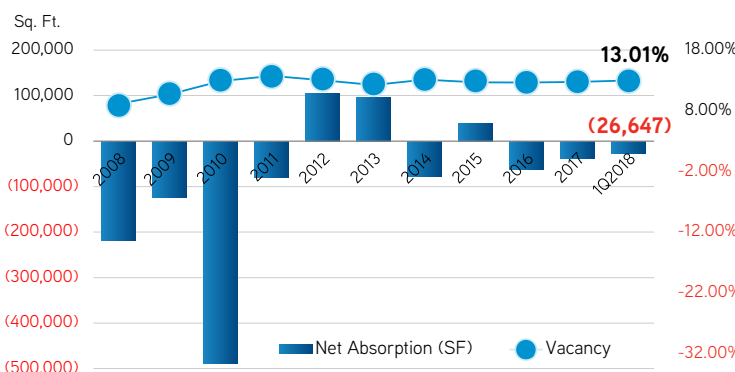
1Q 2018 Office Market	
1st Qtr Net Absorption	(26,647) SF
YTD Net Absorption	(26,647) SF
Vacancy Rate	13.01%
Full Service Gross Avg. Asking Rent	(psf/mo).
Islandwide	\$3.10
Class A	\$2.96
Class B	\$3.37
Class C	\$2.85

### Oahu Office Employment (December)



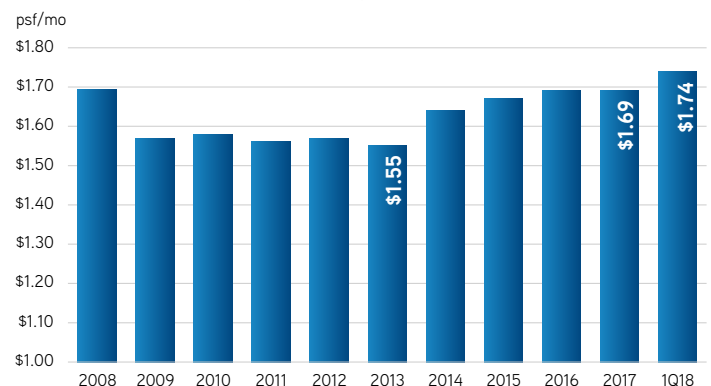
Source: DBEDT

### Oahu Office Net Absorption vs. Vacancy Rate



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### Oahu Office Average Asking Base Rents



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# FIRST QUARTER 2018 - Oahu Office Market Statistics

## OFFICE - BY SUBMARKET AREA

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	1Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING NNN RENT (PSF/MO)	HIGH AVG. ASKING NNN RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
AIRPORT / MAPUNAPUNA	4	679,916	73,351	10.79%	577	577	\$1.61	\$1.66	\$1.64
CENTRAL BUSINESS DISTRICT	53	7,076,119	1,210,221	17.10%	(47,058)	(47,058)	\$1.37	\$1.54	\$1.28
EAST OAHU	15	468,032	4,275	0.91%	8,947	8,947	\$2.19	\$2.37	\$1.54
KAKAAKO / KAPIOLANI / KING	43	3,679,308	371,908	10.11%	(239)	(239)	\$1.53	\$1.71	\$1.43
KALIHI / IWILEI / KAPALAMA	12	883,227	75,848	8.59%	7,678	7,678	\$1.47	\$1.55	\$1.13
LEEWARD OAHU	14	719,228	74,842	10.41%	(1,197)	(1,197)	\$2.13	\$2.40	\$1.27
WAIKIKI	12	812,027	69,787	8.59%	1,044	1,044	\$1.86	\$2.14	\$1.66
WINDWARD OAHU	7	210,649	9,434	4.48%	3,601	3,601	\$1.93	\$2.01	\$1.51
<b>TOTALS</b>	<b>160</b>	<b>14,528,506</b>	<b>1,889,666</b>	<b>13.01%</b>	<b>(26,647)</b>	<b>(26,647)</b>	<b>\$1.65</b>	<b>\$1.82</b>	<b>\$1.36</b>

## OFFICE - BY BUILDING CLASS

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	1Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING NNN RENT (PSF/MO)	HIGH AVG. ASKING NNN RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
CLASS A	13	4,966,720	901,786	18.16%	(38,333)	(38,333)	\$1.42	\$1.67	\$1.41
CLASS B	66	6,632,030	631,375	9.52%	38,728	38,728	\$1.83	\$2.04	\$1.44
CLASS C	81	2,929,756	356,505	12.17%	(27,042)	(27,042)	\$1.51	\$1.63	\$1.28
<b>TOTALS</b>	<b>160</b>	<b>14,528,506</b>	<b>1,889,666</b>	<b>13.01%</b>	<b>(26,647)</b>	<b>(26,647)</b>	<b>\$1.65</b>	<b>\$1.82</b>	<b>\$1.36</b>

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### TERMS AND DEFINITIONS

- INVENTORY - Office buildings greater than 20,000 square feet located on the island of Oahu. Owner-occupied, government, and medical buildings are not included.
- TOTAL SQUARE FEET - All rentable office space exclusive of common areas, elevator shafts and fire escapes.
- VACANT SPACE - Office space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- VACANCY RATE - The ratio of vacant office space divided by the total office inventory square footage.
- 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.
- AVERAGE OPERATING EXPENSE - The average rate of tenant expenses such as building utilities, management fees, building maintenance, real property taxes and insurance within a specific geography or building class.
- BASE RENTS - Rents exclusive of building operating expenses.
- FULL SERVICE GROSS RENTS - Base rents plus building operating expense. This is viewed as the tenant's total occupancy cost per square foot.
- BUILDING CLASSIFICATIONS - Adhering to the BOMA guidelines, Class A properties are buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, exceptional accessibility and a definite market presence. Class B buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate. Class C buildings are competing for tenants requiring functional space at rents below the average for the area.

### EXECUTIVE MANAGEMENT

**Sarah Lee Morihara (B)**  
President/Managing Director  
+1 808 523 9706  
sarah.morihara@colliers.com

**Andrew D. Friedlander (B) SIOR**  
Principal Broker  
+1 808 523 9797  
andrew.friedlander@colliers.com

### CONSULTING & RESEARCH

**Mike Y. Hamasu**  
Director of Consulting & Research  
+1 808 523 9792  
mike.hamasu@colliers.com

**Nanette Vinton (S)**  
Research Consultant / Project Manager  
+1 808 523 9764  
nanette.vinton@colliers.com

### OFFICE SERVICES

**Karen Birkett (S)**  
Vice President  
Tel: +1 808 523 9729  
karen.birkett@colliers.com

**Brandon Bera (S) CCIM SIOR**  
Vice President  
Tel: +1 808 523 8309  
brandon.bera@colliers.com

**Neal Hafner (S) CCIM**  
Senior Associate  
Tel: +1 808 523 8313  
neal.hafner@colliers.com

**Megan Malloy (S)**  
Associate  
Tel: +1 808 523 9731  
megan.malloy@colliers.com

**Alexander W. Peach (S)**  
Associate  
Tel: +1 808 349 6538  
alex.peach@colliers.com

**Janna Frash (S)**  
Associate  
Tel +1 808 230 3794  
janna.frash@colliers.com



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Colliers International | Hawaii

220 S. King Street, Suite 1800 | Honolulu, Hawaii 96813

+1 808 524 2666

colliers.com/Hawaii