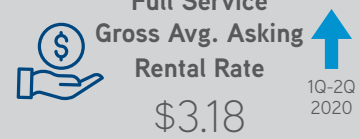
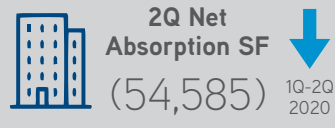
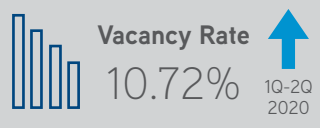




Accelerating success.

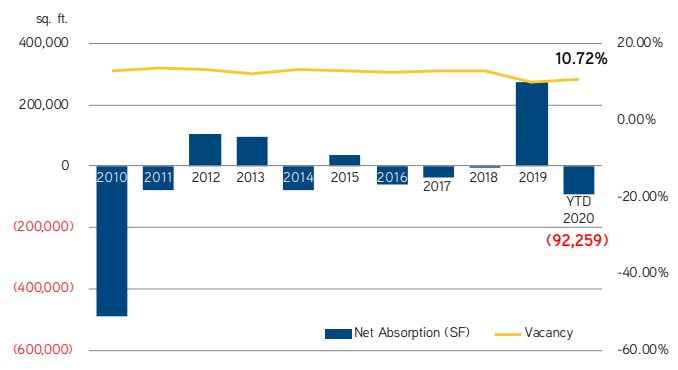


Job Losses Mount as Office Market Softens

Mike Hamasu Director of Research | Hawaii

At the end of 2019, the island's vacancy rate fell below 10% for the first time in over a decade and landlords were beginning to enjoy the change in market dynamics. Seemingly overnight, the COVID-19 pandemic forced businesses throughout the State of Hawaii to adhere to government Shelter-In-Place directives and adopt stringent social distancing and sanitation requirements.

Oahu Office Net Absorption vs. Vacancy Rate



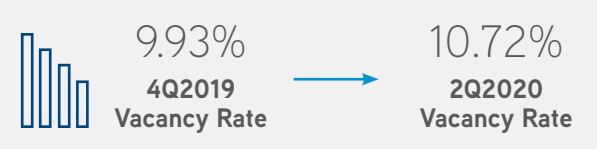
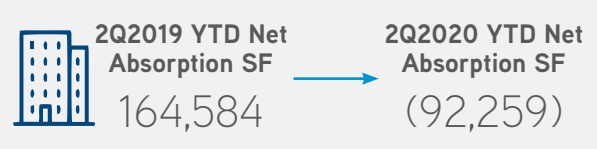
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Within one month, Oahu's unemployment rate skyrocketed from 2.1% in March to 20% in April. All employment sectors proved to be vulnerable to the economic downturn as 79,800 non-agricultural wage jobs were lost during April.

The office market, which is directly correlated to changes in employment, posted a year-to-date loss of 92,259 square feet of occupancy, as vacancy rates rose from 9.93% at year-end 2019 to 10.72% at the end of the second quarter of 2020. This rise in vacancy corresponded to the loss of 8,200 office sector positions since year-end 2019.

"The office market will be shaped by COVID-19 for years to come."

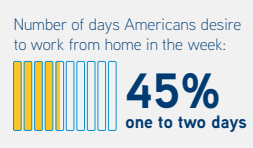
Brandon Bera (S), SIOR CCIM, Vice President



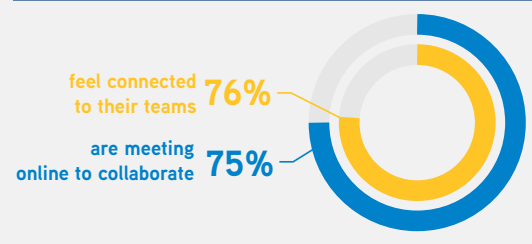
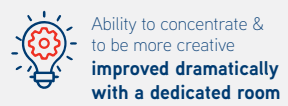
Working From Home Survey

Initial Insights of the Global Survey
Source: Colliers International Workplace Advisory | Occupier Services

4 out of 5 respondents would like to work from home at least 1 day a week



Perceived advantages according to respondents:



Second Quarter 2020 - Oahu Office Market Statistics

OFFICE - BY SUBMARKET AREA

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	2Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING BASE RENT (PSF/MO)	HIGH AVG. ASKING BASE RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
AIRPORT / MAPUNAPUNA	4	679,916	62,714	9.22%	(936)	20,591	\$1.61	\$1.66	\$1.17
CENTRAL BUSINESS DISTRICT	52	6,890,071	853,150	12.38%	(4,073)	(23,647)	\$1.38	\$1.54	\$1.33
EAST OAHU	15	468,032	9,250	1.98%	(2,096)	(3,014)	\$2.28	\$2.37	\$1.55
KAKAAKO / KAPIOLANI / KING	41	3,618,990	388,868	10.75%	(33,446)	(51,346)	\$1.53	\$1.71	\$1.55
KALIHI / IWILEI / KAPALAMA	12	883,227	77,001	8.72%	(4,777)	(12,890)	\$1.49	\$1.53	\$1.11
LEEWARD OAHU	14	719,228	60,809	8.45%	(18,525)	(30,029)	\$2.13	\$2.39	\$1.39
WAIKIKI	11	711,875	49,078	6.89%	5,828	6,087	\$1.97	\$2.34	\$1.72
WINDWARD OAHU	8	284,401	27,710	9.74%	3,440	1,989	\$2.10	\$2.11	\$1.55
TOTALS	157	14,255,740	1,528,580	10.72%	(54,585)	(92,259)	\$1.67	\$1.83	\$1.43

OFFICE - BY BUILDING CLASS

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	2Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING BASE RENT (PSF/MO)	HIGH AVG. ASKING BASE RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
CLASS A	13	4,813,712	536,764	11.15%	24,975	19,221	\$1.51	\$1.68	\$1.45
CLASS B	66	6,605,630	653,641	9.90%	(41,590)	(46,380)	\$1.83	\$2.03	\$1.52
CLASS C	78	2,836,398	338,175	11.92%	(37,970)	(65,100)	\$1.55	\$1.66	\$1.34
TOTALS	157	14,255,740	1,528,580	10.72%	(54,585)	(92,259)	\$1.67	\$1.83	\$1.43

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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
+1 808 523 9729
karen.birkett@colliers.com

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

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

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

Alexander W. Peach (S)
Associate
+1 808 349 6538
alexander.peach@colliers.com

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



Accelerating success.

Colliers International | Hawaii

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

+1 808 524 2666

colliers.com/hawaii