

FIGURES | HAWAII RETAIL | Q4 2021

# Hawaii's Retail Demand Continues to Rebound as Rents Fall



Note: Arrows indicate change from previous quarter.

## Net Absorption Further Accelerates

- Net absorption ended Q4 2021 at 92,236 sq. ft., the second consecutive quarter of positive demand. Oahu and Maui realized the strongest demand among all islands, while community/neighborhood centers outperformed among center types.

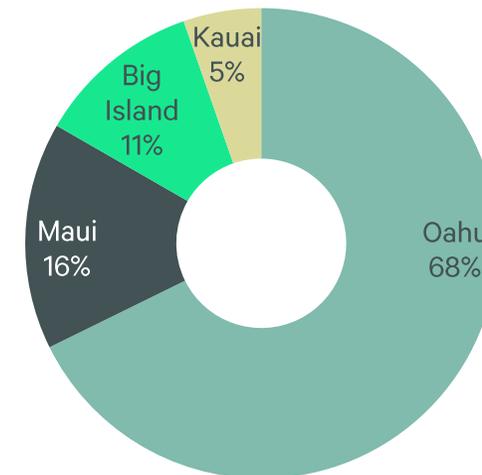
## Vacancy Goes Lower

- Similarly propelled by Oahu and Maui, Hawaii's vacancy rate compressed to 8.1%, after coming in at 9.5% in Q3.

## Average Asking Rent Declines

- While it may have helped spur leasing activity, the average retail asking rent fell to \$4.56 NNN in Q4 2021, compared to \$5.27 NNN in Q3. The emergence of the Omicron variant and uncertainty surrounding its trajectory could continue to limit rent increases in the near-term.

FIGURE 1: Hawaii Retail Market Distribution



Source: CBRE Research, Q4 2021

## Market Overview

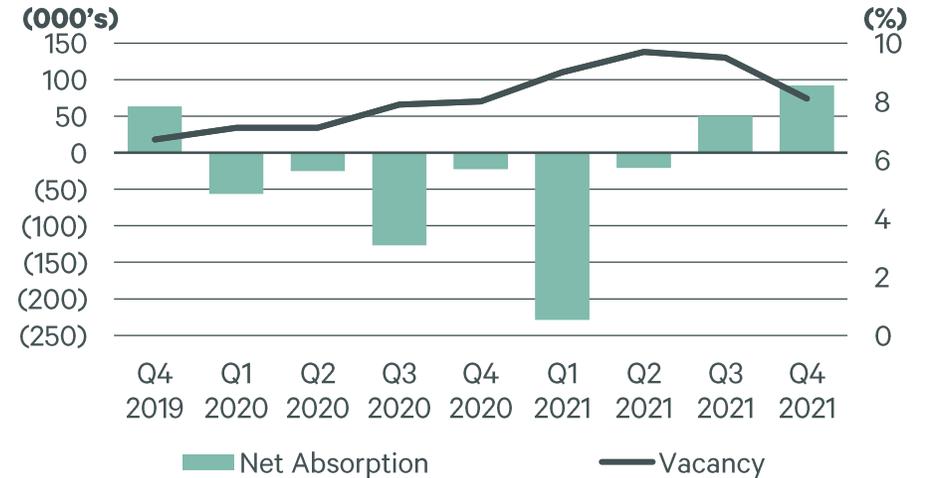
Hawaii's retail market continued to rebound in Q4. For the second consecutive quarter, net absorption was positive, and vacancy decreased. During the three-month period, 92,236 sq. ft. of net absorption was realized, and the vacancy rate fell to 8.1%. In stark contrast, vacancy registered a record-high of 9.7% in Q2, 160 basis points (bps) above Q4's figure, before modestly declining to 9.5% in Q3.

The improving fundamentals came despite the late-year emergence of the Omicron variant, which has spawned record case numbers and growing hospitalizations. A lack of workers is another challenge, even with retailers offering higher wages and larger benefits. While these factors have created near-term uncertainty, Hawaii's status as a destination location, along with growing vaccination rates across the world (the state requires all travelers to be fully vaccinated), should continue to propel visitor arrivals and along with it, demand for retailers.

A significant rebound in travel from 2020's crushing decline likely helped offset increased business restrictions that spilled into Q4. Through November, visitor arrivals had surpassed all of 2020's by 122%. Nonetheless, travel was not on pace with 2019, when the state saw 10.4 million visitor arrivals. Similarly, the state averaged 5.4 million visitor days per month as of November, which is far below the 7.5 million monthly average in 2019, but far ahead of the worst months of 2020, when visitor days were consistently under 1 million per month.

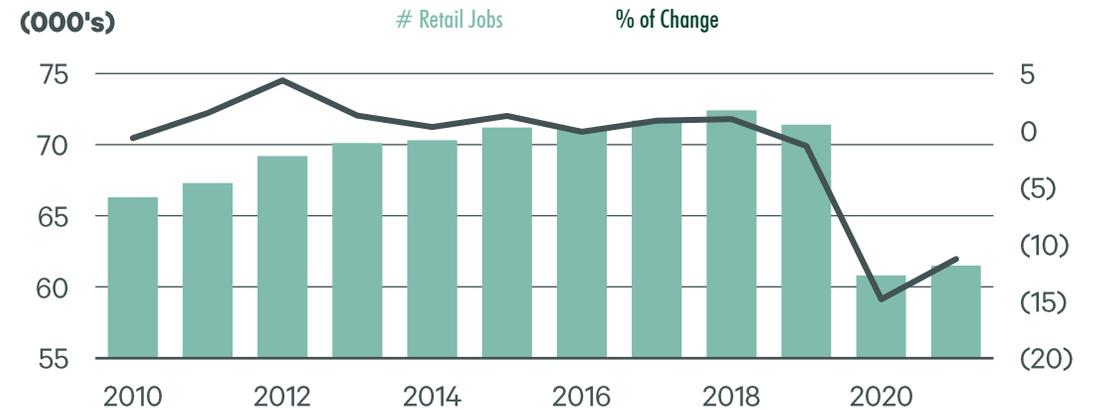
International travelers have been slow to return to Hawaii, and especially tourists from Japan, which historically made up the majority of international travelers. Only 19,784 Japanese visitors trickled into the state through November, a 99% drop compared to the first eleven months of 2019, when Hawaii saw 1.4 million Japanese visitors. The short fall of tourists from Japan, which on average spend \$40 per day more than their U.S. counterparts, has similarly impacted visitor spending. Japanese visitors accounted for \$68.4 million of total spending in the first 11 months of 2021, a 97% decline from the same period in 2019, when the group spent \$2.04 billion.

FIGURE 2: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2021

FIGURE 3: Retail Job Growth



Source: DBEDT, 2021

FIGURE 4: Market Statistics

Retail Centers	Total Centers	Gross Leasable Area (SF)	Total Vacant Area (SF)	Total Vacancy Rate (%)	Avg. Operating Expenses (\$/SF/Mo)	Low Net Asking Rent** (\$/SF/Mo)	High Net Asking Rent** (\$/SF/Mo)	Average Net Asking Rent** (\$/SF/Mo)	Q4 Net Absorption (SF)
Community / Neighborhood Centers	76	9,533,060	936,149	9.8%	\$0.93	\$3.08	\$4.29	\$3.68	50,915
Regional Malls	8	5,735,155	200,240	3.5%	\$3.67	\$2.31	\$5.10	\$3.71	15,903
Specialty Centers	23	2,339,495	227,382	9.7%	\$2.06	\$7.73	\$12.47	\$10.10	(9,773)
Strip Centers	19	1,064,718	90,729	8.5%	\$1.15	\$3.14	\$4.28	\$3.71	32,410
Power Centers	7	2,155,838	234,638	10.9%	\$0.72	\$2.72	\$4.09	\$3.41	2,781
Outlet Centers	2	356,280	7,000	2.0%	\$1.11	\$3.00	\$5.00	\$4.00	0
<b>Islands</b>									
Oahu	82	14,356,573	793,745	5.5%	\$1.48	\$4.85	\$6.71	\$5.78	62,634
Maui	25	3,302,660	484,013	14.7%	\$1.07	\$2.75	\$4.55	\$3.65	47,487
Big Island	19	2,397,294	276,998	11.6%	\$1.36	\$2.70	\$4.69	\$3.69	(10,066)
Kauai	9	1,128,019	141,382	12.5%	\$0.97	\$2.28	\$4.14	\$3.21	(7,819)
<b>State of Hawaii</b>	<b>133</b>	<b>21,184,546</b>	<b>1,715,408</b>	<b>8.1%</b>	<b>\$1.31</b>	<b>\$3.63</b>	<b>\$5.49</b>	<b>\$4.56</b>	<b>92,236</b>

Source: CBRE Research, Q4 2021

\*State of Hawaii lease rates are a weighted average number utilizing the Retail Center data. Lease rates have been adjusted by calculating a weighted average number based on vacant area, which may affect historical data. Previously untracked centers were added, which may affect historical data. Rates for Outlet centers are straight averages due to historically low vacancy.

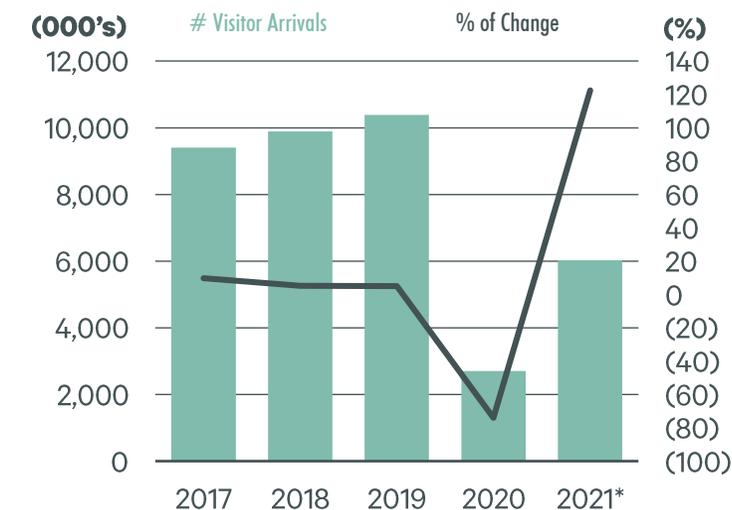
FIGURE 5: Historical Tourism Activity

Measure	2019	2020	2021*
Visitor Arrivals (thousands)	10,386	2,708	6,023
Visitor Days (thousands)	90,360	28,659	57,664
Visitor Expenditures (millions of \$)	17,716	N/A	11,339

Source: DBEDT, 2021

\*Year-to-date as of November

FIGURE 6: Historical Visitor Arrivals



### Lease Rates

The weighted average asking lease rate across Hawaii decreased \$0.71 from Q3 2021, to \$4.56 NNN. Except for outlet centers, where the average rent remained stable at \$4.00 NNN, all center types saw rates compress. The average CAM decreased \$0.17 to \$1.31.

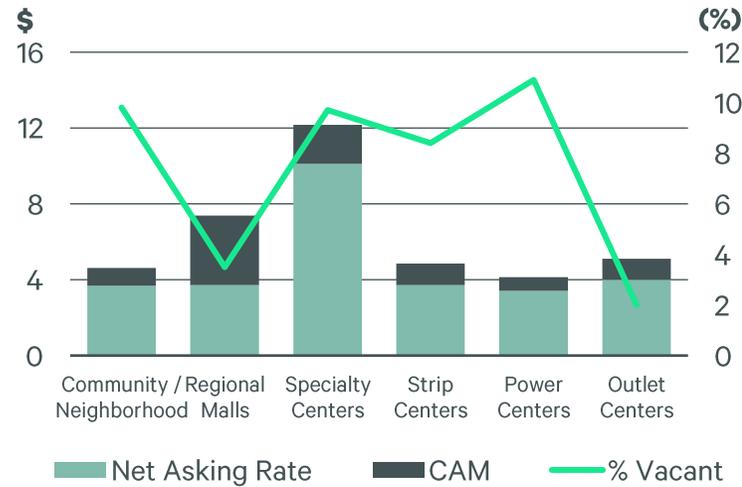
### Net Absorption

Retail operators continued to express confidence in Hawaii. Net absorption in Q4 was positive for a second consecutive quarter and only the second time since the start of the pandemic, coming in at 92,236 sq. ft. This marked an 84% increase compared to Q3's figure of 50,246 sq. ft. Oahu, at 62,634 sq. ft., registered the highest demand among all islands. Maui, after realizing negative net absorption in Q3, was similarly healthy, with 47,487 sq. ft. of demand.

### Availability & Vacancy

Hawaii's retail vacancy rate continued to fall in Q4, compressing 140 bps to 8.1%, after beginning the quarter at 9.5%. While this marked the second consecutive quarter vacancies have declined, it was easily the largest decrease since the start of the pandemic. Quarter-over-quarter, all center types saw vacancy tighten. Compared to Q4 20, Hawaii's vacancy rate was up 10 basis points, but availability fell 70 basis points, to 8.5%. Only community/neighborhood centers and specialty centers saw availability rise compared to one year prior.

FIGURE 7: CAM & Asking Lease Rates



Source: CBRE Research, Q4 2021

FIGURE 8: Quarterly Net Absorption

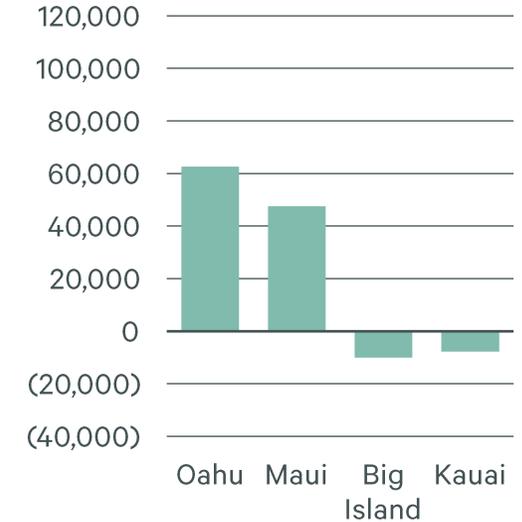
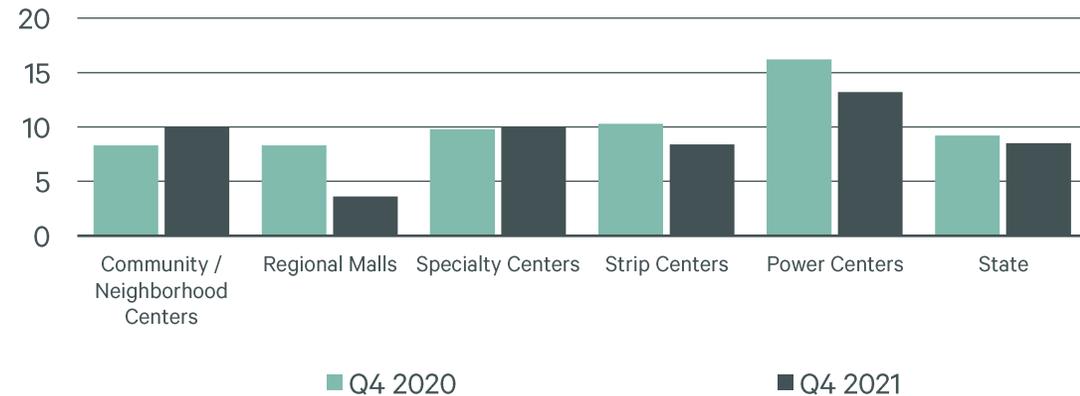
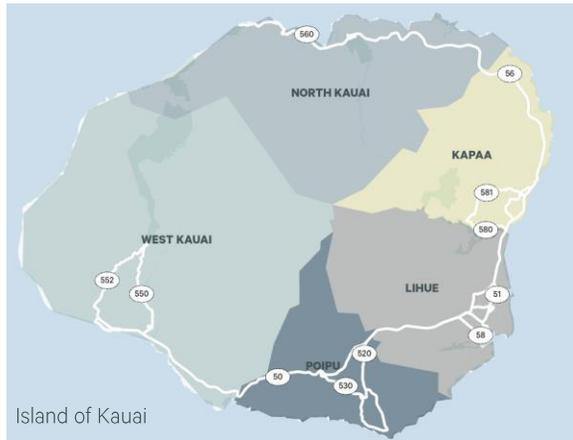


FIGURE 9: Year over Year Availability Rate



Source: CBRE Research, Q4 2021

## Market Area Overview



### Survey Criteria

Market Coverage includes competitive retail properties generally over 20,000 sq. ft. in five reported categories, selected from all four major Hawaiian islands, excluding properties under construction.

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