



# Hawaii

**2021**

Year in Review

**2022**

Market Outlook

# A MESSAGE FROM THE HAWAII MANAGEMENT TEAM

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As 2021 comes to a close, we at CBRE are reminded of the pleasure it is to serve our clients. Above all else, our firm strives to create the real estate solutions of tomorrow, so businesses and people thrive. With this in mind, we present our 2021 Year in Review and 2022 Market Outlook.

Despite the headwinds that came in 2021, brought on by the Delta and Omicron Covid-19 variants, we remain optimistic about the economic conditions in the U.S. heading into 2022. Employment and GDP bounced back at a record pace, and most economist forecast additional growth throughout this year and GDP growth in Hawaii is expected to grow at a similar rate. Tourism in Hawaii is expected to continue to rebound as the State's Safe Travels Program allows travelers to bypass quarantine restrictions if they can provide proof of vaccination or a negative test. Pent up demand for entertainment and travel bodes particularly well for the Hawaii market in the year ahead.

To prepare for the changing needs of our clients as we navigate operating in a world with Covid-19, our approach is anchored in our four pillars of differentiation: Data and Insights, Strategic Partnering, Integrated Solutioning, and Multidimensional Views. These four pillars help us articulate how we work in a way that uniquely creates unmatched value for our clients and the world.

As a global Fortune 125 firm, our ability to deliver results to our clients is simply unmatched in the industry. Combining our global platform with local market knowledge ensures we meet the needs of our clients. Whether talking about traditional brokerage services, capital markets, investment properties, project management, property management, valuation, hospitality or healthcare services, CBRE's Hawaii office offers a wide range of experience and expertise.

Furthermore, we understand that the world is changing rapidly and that our clients are learning how to operate in a global pandemic. Real estate decisions have never been more consequential to a business bottom line, and because of this, it is our responsibility to continue to help our clients realize their potential in every dimension. We are determined to deliver services to our clients in a way that leads industry standards. We strive to be world-class.

In closing, we would like to say thank you to our clients for your trust in us and your partnership. We look forward to continuing to serve you and wish everyone a most prosperous 2022.

Aloha!

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# ECONOMIC OVERVIEW

While many believed that 2021 would be the return to normalcy after Covid-19's impact on the economy, this year was largely about adjusting to a new normal and beginning to learn how to operate in the pandemic.

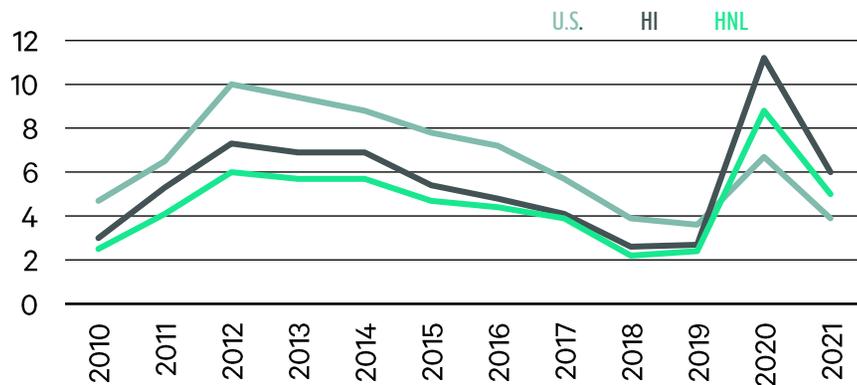
GDP growth in 2021 was 5.7%, landing on the high end of the 4.2%-5.9% that most forecasters predicted at the end of 2020. The Conference Board Economic Forecast for the U.S. Economy projects that GDP will increase an additional 3.5% in 2022, well above pre-pandemic trends. Real GDP grew 5.8% across Hawaii in 2021 and is projected to grow an additional 2.7% in 2022. The University of Hawaii's economic forecast projects that GDP will return to pre-pandemic levels in 2023.

At the beginning of 2021, the U.S. unemployment rate was 6.7%, significantly lower than the 14.7% rate we saw in April of 2020. By the end of 2021, the U.S. unemployment rate had declined to 3.9%, the closest it has been to pre-pandemic levels. The unemployment rate in Hawaii has been slower to recover than the U.S. average, mostly due to its reliance on the tourism industry. The unemployment rate in Hawaii began 2021 at 10.3% and declined to 5.7% by the end of 2021. The University of Hawaii forecasts that the unemployment rate will continue to decline in 2022 but won't return to pre-pandemic levels until 2024.

Tourism began to rebound in the second half of 2021, when travelers from the mainland were permitted to bypass the state's 10-day quarantine if they were fully vaccinated or could provide a negative Covid test through the Safe Travels program. 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. Occupancy rates were also rising in the second half of the year, with December reaching 72.7% occupancy, a 49% increase from the same time last year. According to the Hawaii Tourism Authority, room demand in Hawaii was at 1.2 million rooms per night, a 230% increase from the same time in 2020 and only -7.7% decrease compared to pre-pandemic demand levels at the end of 2019.

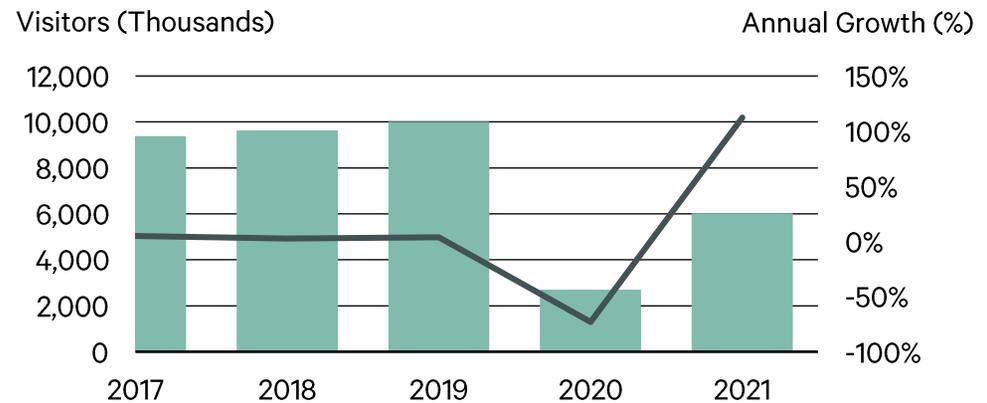
According to a recent University of Hawaii report, most major economic indicators are projected to improve in the most recent 2022 forecast; however, 2024 is the year that most indicators are expected to return to pre-pandemic rates. The unemployment rate is projected to decline from 7.7% in 2021 to 5.4% in 2022. Additionally, the real GDP rate is expected to decrease from 5.8% in 2021 to 2.7% in 2022.

### NATIONAL, STATE AND COUNTY UNEMPLOYMENT RATE



Source: U.S. Bureau of Labor Statistics

### HAWAII VISITOR ARRIVALS



Source: Hawaii Tourism Authority



# OFFICE MARKET



**\$3.36**

**Average Gross Lease  
Rate at the End of 2021**



**13.8%**

**Office Vacancy Rate in  
Hawaii at the End of 2021**



**(132,411) SF**

**2021 YE Net Absorption**

While many believed that 2021 would be the return to normalcy for office users, the Delta and Omicron variants have caused employees to remain hesitant to return to the workplace and organizations to rethink how they want to use their physical space. While office occupancy levels have remained low throughout 2021, the office market has remained relatively strong. The first quarter of 2021 created a lot of ground for the market to make up, with (209,374) sq. ft. of negative net absorption, the majority of which (77,814 sq. ft.) occurred in the CBD. The vacancy rate reached 15% but average asking rates remained flat at \$3.13 per sq. ft. The recovery began to take place between Q2 and Q4 of 2021. During that time frame, the Hawaii office market experienced three consecutive quarters of positive net absorption for the first time since the pandemic began. The vacancy rate also began to slowly decline, ending the year at 13.8%, led by low vacancy levels in suburban submarkets. Although year-end net absorption was (132,411) sq. ft., the three consecutive quarters of positive net absorption to end the year are a promising sign of the market's direction.

The Downtown Honolulu submarket experienced negative net absorption for three out of the four quarters of 2021, with Q2's 36,929 sq. ft. of positive net absorption being the only positive quarter since 2019. Vacancy increased from 13.8% at the end of Q2 2020 to 15.3% at the end of 2021. Despite these factors, asking rates continued to rise. The average gross asking rate in the CBD increased from \$2.94 at the end of 2020 to \$3.23 at the end of 2021, while operating expenses remained relatively flat. While market conditions would seem primed for asking rates to decline, many landlords are offering concessions in the form of free rent or a tenant improvement allowance to keep their asking based rents on the rise. Suburban neighborhoods have been mainly responsible for the positive direction that the market is moving as the pandemic has shifted people away from dense metropolitan areas.

2022 will likely result in Office tenants continuing to adjust to the new normal, like we saw in 2021. Employers will need to reevaluate how important the physical workspace is to their office culture and decide how to navigate operating in a world with Covid-19. Workplace Health and Safety protocols will likely become a permanent part of the office culture and employers will need to stay flexible with policies on working from home to stay competitive. Over the next year, Landlords are expected to keep asking rates flat or increase them as demand for space changes. If demand declines, Owners will likely continue to keep asking rates as is but offer concessions in the form of free rent or tenant improvement allowances. Net absorption is likely to slowly continue in the positive direction that it is moving as occupiers begin to return to the workplace in the spring and summer.

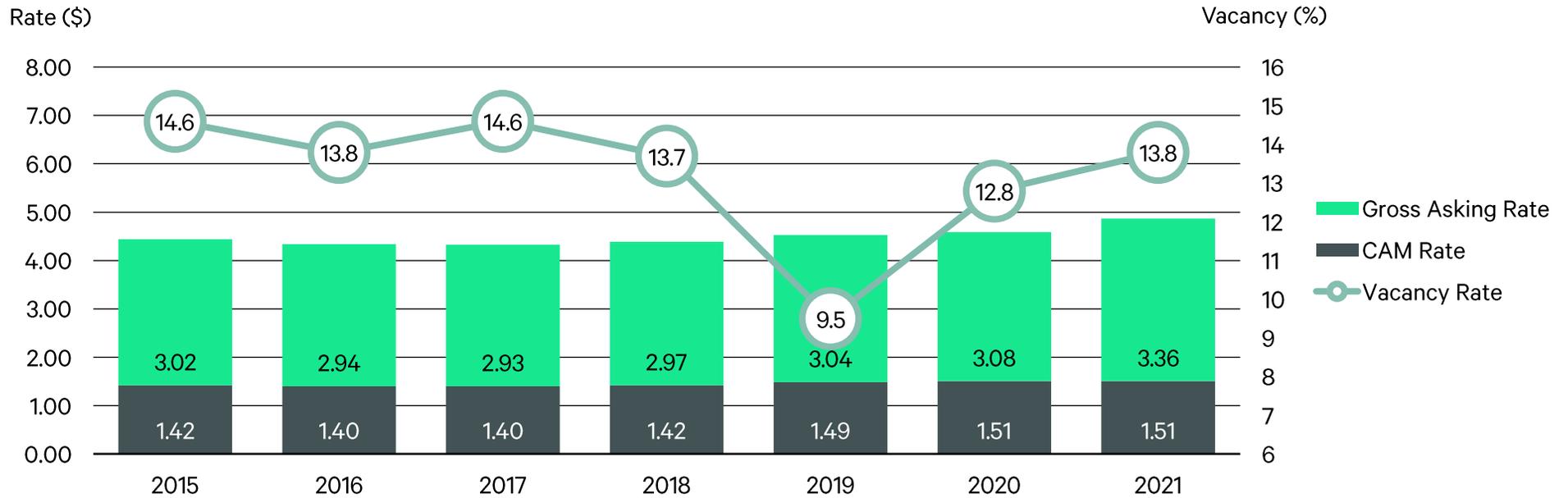
# OFFICE MARKET SUMMARY



## AVAILABLE OFFICE SPACE IN OAHU, HI

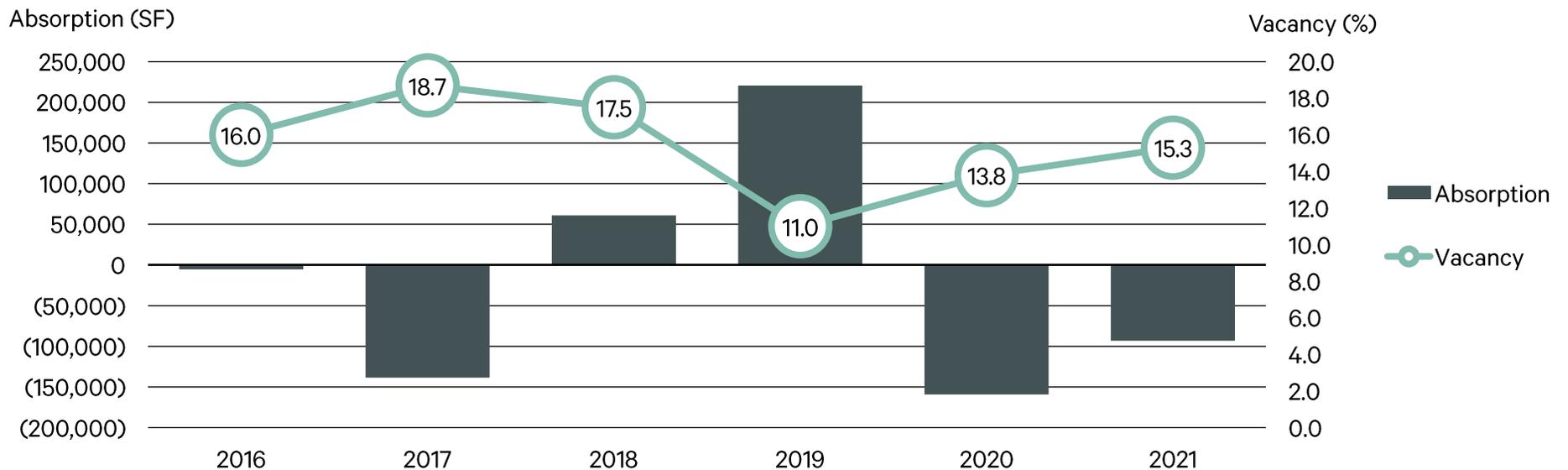
Submarket	Net Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Availability Rate (%)	Operating Expenses (\$/SF/Mo)	Low Gross Rent (\$/SF/Mo)	High Gross Rent (\$/SF/Mo)	Average Gross Asking Rent (\$/SF/Mo)	2021 YE Net Absorption (SF)
Downtown (CBD)	4,947,892	756,162	15.3%	17.8%	\$1.45	\$3.13	\$3.34	\$3.23	(93,021)
Kapiolani	2,862,547	324,610	11.3%	15.8%	\$1.73	\$3.81	\$4.01	\$3.91	128
Waikiki	492,860	141,153	28.6%	29.7%	\$1.64	\$2.90	\$3.12	\$3.01	(43,582)
East Oahu	174,253	10,833	6.2%	6.2%	\$2.02	\$4.61	\$4.61	\$4.61	5,279
East Honolulu	126,583	3,896	3.1%	5.5%	\$1.60	\$4.05	\$4.05	\$4.05	4,001
West Honolulu	1,454,797	136,521	9.4%	9.5%	\$1.19	\$2.69	\$2.74	\$2.71	(11,918)
Central Oahu	297,520	63,070	21.2%	22.0%	\$1.27	\$2.54	\$4.74	\$3.64	10,153
West Oahu	387,624	60,583	15.6%	15.6%	\$1.60	\$3.29	\$3.30	\$3.29	(2,031)
Windward	208,958	11,700	5.6%	5.6%	\$1.44	\$3.74	\$3.94	\$3.84	(1,420)
<b>Oahu</b>	<b>10,953,034</b>	<b>1,508,528</b>	<b>13.8%</b>	<b>16.2%</b>	<b>\$1.51</b>	<b>\$3.22</b>	<b>\$3.51</b>	<b>\$3.36</b>	<b>(132,411)</b>

## OFFICE VACANCY VS RENT



Source: CBRE Research, Q4 2021

## DOWNTOWN (CBD) OFFICE MARKET



Source: CBRE Research, Q4 2021



# INDUSTRIAL MARKET



**4.2%**

2021 YE Availability Rate



**\$1.26 NNN**

Average Base Asking Lease  
Rent at The End of 2021



**464,561 SF**

2021 YE Net Absorption



**731,820 SF**

2021 YE Leased Space

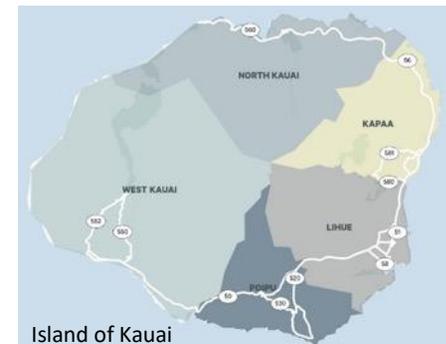
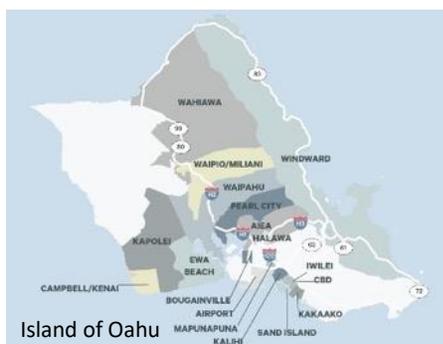
Hawaii's industrial market continued to be the most consistent sector of commercial real estate in 2021. Statewide availability rose slightly to 4.2% compared to 3.7% in 2020. Oahu had the largest year-over-year availability rate change with a 140-bps increase in Q3 of 2021 due to new inventory completed in 2020 and several large, new vacancies. This availability rate change difference dropped to 72-bps in the Q4 as an indication of increased market demand for industrial space. The average asking rate dropped slightly from \$1.32 NNN to \$1.26 NNN this year; however, CAM remained stable and the average gross asking rate was at \$1.69 per sq. ft. with both Oahu and Maui surpassing the statewide average. Overall, Hawaii rebounded from a negative net absorption of (220,000) sq. ft. in 2020 to a positive net absorption of 464,561 sq. ft. in 2021.

Demand outpaced supply for industrial properties as e-commerce, supply chain, and construction became the focus across the United States and beyond. Due to limited current supply, the total Industrial sales volume was approximately \$340 million in 2020 and dropped to approximately \$160 million in 2021. However, there was also an additional \$269 million in industrial land sales. Two of the more notable transactions were a parcel sold to Costco for \$143 million and a parcel sold to a large Tech e-commerce user for \$76 million.

Of the 25 industrial properties sold in 2021, a majority of 14 were in Honolulu, while the land sales were in West Oahu. Recent sales in West Oahu included Kapolei Business Park West and large parcels of industrial zoned land in Koa Ridge, Ho'opili, Harborside, Kunia, and Phase 1 of Kalaeloa. Historically, buyers of industrial zoned properties were able to look to West Oahu if they were not able to find properties in Honolulu. In 2021, the greatest net absorption was in submarkets Iwilei and Mapunapuna in Honolulu County, with West Oahu, Kapolei right behind. The industrial sector continues to be solid with the upper limit on demand constrained by current supply.

The 2022 outlook for Hawaii's industrial sector will be more of the same, with Hawaii industrial trends following the supply and demand dynamic nationwide. Unlike other parts of the nation, Hawaii lacks new developments, exerting additional pressure in a relatively price inelastic category. Areas such as Kakaako are also going through redevelopment, shifting from industrial zoning to residential and restricting long term tenancy. Hawaii is experiencing some resets on ground lease rent, increases in real property taxes, construction costs, and overall operating expense. Although some inventory may free up when those who cannot withstand these increases drop out of the market, there are also larger national tenants that will take their place. As larger national tenants absorb larger parcels, it creates an even more competitive environment for industrial space.

# INDUSTRIAL MARKET SUMMARY

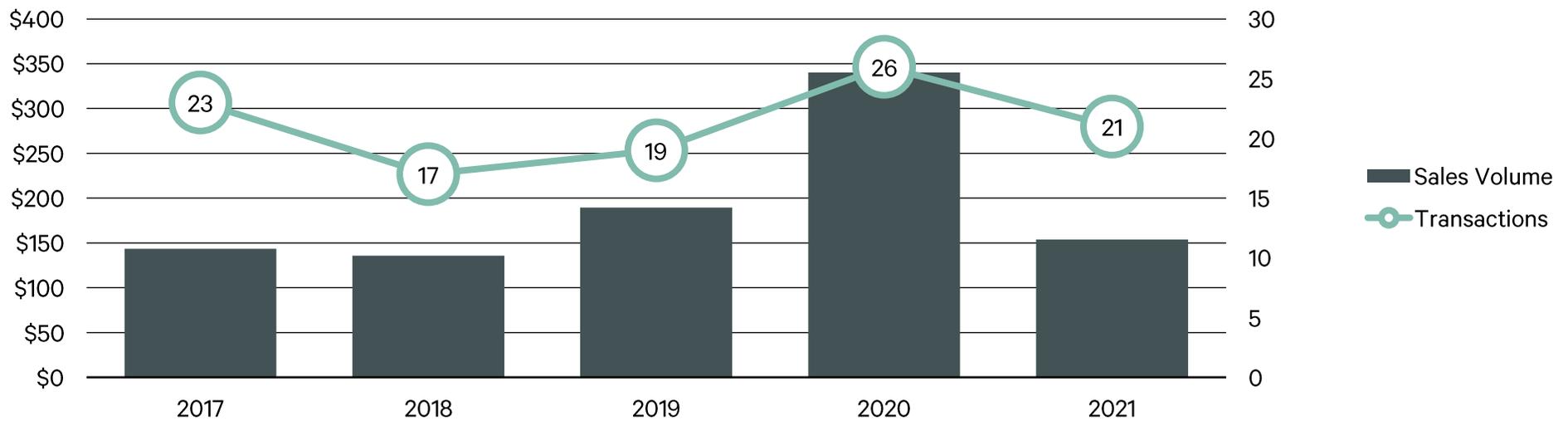


Submarket	Net Rentable Area (SF)	Available Area (SF)	Availability Rate (%)	Operating Expenses (\$/SF/Month)	Net Average Asking Rent (\$/SF/Month)	Gross Average Asking Rent (\$/SF/Month)	Net Absorption Q4 (SF)	Net Absorption YTD (SF)
Kakaako	2,124,999	63,783	3.0	0.48	1.30	1.78	-	43,855
Iwilei	2,203,875	112,976	5.1	0.58	0.90	1.48	10,403	139,624
Kalihi	9,884,732	575,108	5.8	0.43	1.20	1.63	3,514	8,103
Mapunapuna	2,930,296	403,363	13.8	0.42	1.10	1.53	51,592	101,800
Airport	3,143,808	59,348	1.9	0.50	1.46	1.96	-	12,730
Bougainville	380,839	24,055	6.3	0.49	1.80	2.29	-	(20,903)
Halawa	1,490,184	62,571	4.2	0.40	1.41	1.80	5,758	25,323
Pearl City / Aiea	3,669,838	60,828	1.7	0.44	1.38	1.82	15,466	33,379
Waipio / Mililani	1,936,581	78,514	4.1	0.50	1.36	1.86	-	32,618
Waipahu	3,287,874	178,528	5.4	0.44	1.41	1.85	(4,130)	54,842
Kapolei	2,677,493	197,239	7.4	0.47	1.22	1.69	(1,908)	82,337
Campbell / Kenai	4,018,033	112,566	2.8	0.40	1.38	1.78	(54,414)	(162,302)
Windward	1,024,450	83,712	8.2	0.50	2.01	2.51	54,541	54,064
<b>Islands</b>								
Oahu	38,773,002	2,012,591	5.2	0.45	1.26	1.72	80,822	405,470
Maui	8,968,121	143,578	1.6	0.41	1.35	1.76	19,371	37,671
Big Island	6,133,894	178,704	2.9	0.28	1.13	1.41	(20,455)	27,953
Kauai	1,797,210	11,483	0.6	0.25	1.11	1.36	-	(6,533)
<b>State</b>	<b>55,672,227</b>	<b>2,346,356</b>	<b>4.2</b>	<b>0.43</b>	<b>1.26</b>	<b>1.69</b>	<b>79,738</b>	<b>464,561</b>

Source: CBRE Research, Q4 2021

## INDUSTRIAL SALES OVER \$2.5M: VOLUME & TRANSACTIONS

Millions (\$)

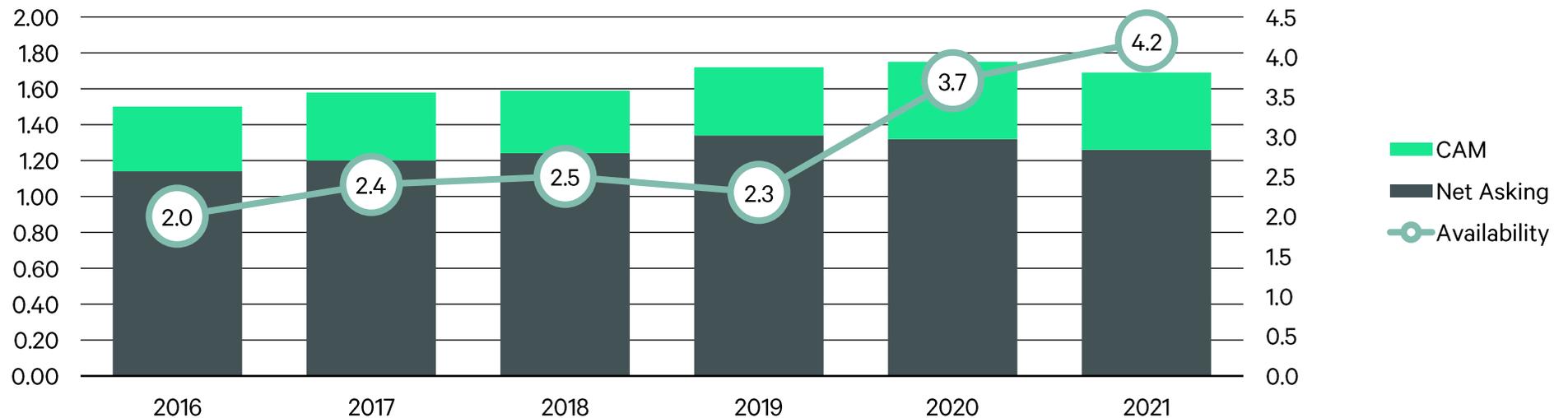


Source: CBRE Research, Q4 2021

## INDUSTRIAL AVAILABILITY VS NET ASKING RENT

Rate (\$)

Availability (%)



Source: CBRE Research, Q4 2021



# RETAIL MARKET



**\$4.56 NNN**

Average Retail Asking  
Lease at the End of 2021



**8.1%**

Vacancy Rate at  
the End of 2021



**(107,154) SF**

2021 YE Net Absorption

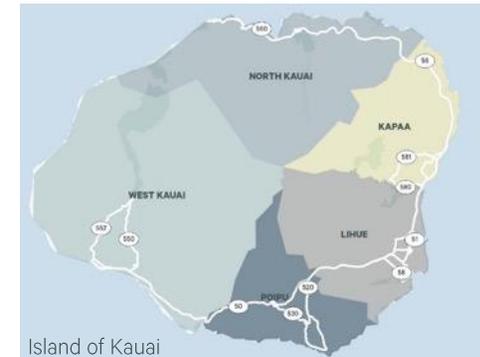
Overall Net Absorption for the retail sector improved from a negative (245,622) sq. ft. in 2020 to a negative (107,154) sq. ft. in 2021. The number of jobs in the retail sector decreased from 60,800 in 2020 to 59,600 in 2021, while unemployment rates decreased from 9.3% to 5.7%, indicating that the jobs recovered were not in the retail sector. Vacancy increased slightly from 8.0% to 8.1%, however some markets and sectors are performing better than others. Maui's vacancy rate decreased from 15.9% in 2020 to 14.7% in 2021, and Oahu's vacancy rate also decreased from 6.4% in 2020 to 5.5% in 2021. Big Island had the only increase in vacancy from 6.1% in 2020 to 11.6% in 2021. Average Net Asking Rates decreased from \$4.78 per sq. ft. in 2020 to \$4.56 per sq. ft. in 2021. Maui held steady rents. Oahu's rents increased slightly from \$5.71 per sq. ft. to \$5.78 per sq. ft., while Big Island and Kauai rental rates brought down the statewide average. Power Centers decreased vacancy from 13.6% in 2020 to 10.9% in 2021. Meanwhile, Shopping Centers/Regional Malls indicated the most improvement from a vacancy rate of 7.1% (408,776 sq. ft.) in 2020 to 3.1% (200,240 sq. ft.) in 2021, even when Operating Expenses increased from \$2.03 to \$3.67.

According to Richard Barkham, Ph.D., MRICS, Global Chief Economist & Head of Americas Research and Brandon Isner, Americas Head of Retail Research, "In July, indoor malls exhibited a year-over-two-year visit gap of just negative 0.1% for the month, with outdoor malls growing their total visits by 2.1%, suggesting a complete recovery in foot traffic." This nationwide trend provides a positive indicator for many of the retail centers in Hawaii, categorized as outdoor malls.

Hawaii is predominantly known as an international tourist destination, and ultimately, the economy has been tied to this identity. 2020 brought us 508,000 international visitors, while 2021 brought us less than 80,000. Recent data from Hawaii Tourism Authority indicated December 2021 brought us a total of 753,670 visitors, a 218% increase from the 236,575 visitors in December 2020. The University of Hawaii's economic report also indicated that visitor days have increased 127% from 2020 to 2021 with visitor spending increasing 159.5% during this time.

According to Richard Barkham and Brandon Isner, "Consumer spending is forecasted to rise in 2022, as a build-up of personal savings during the pandemic is released. The revival of inbound international travel, responsible for more than \$150 billion in expenditures annually according to a 2019 U.S. Travel Association report, will provide an additional boost to retail in coastal and other tourism-focused markets." Assuming the worst of the pandemic is behind us, retail is expected to continue to rebound in 2022.

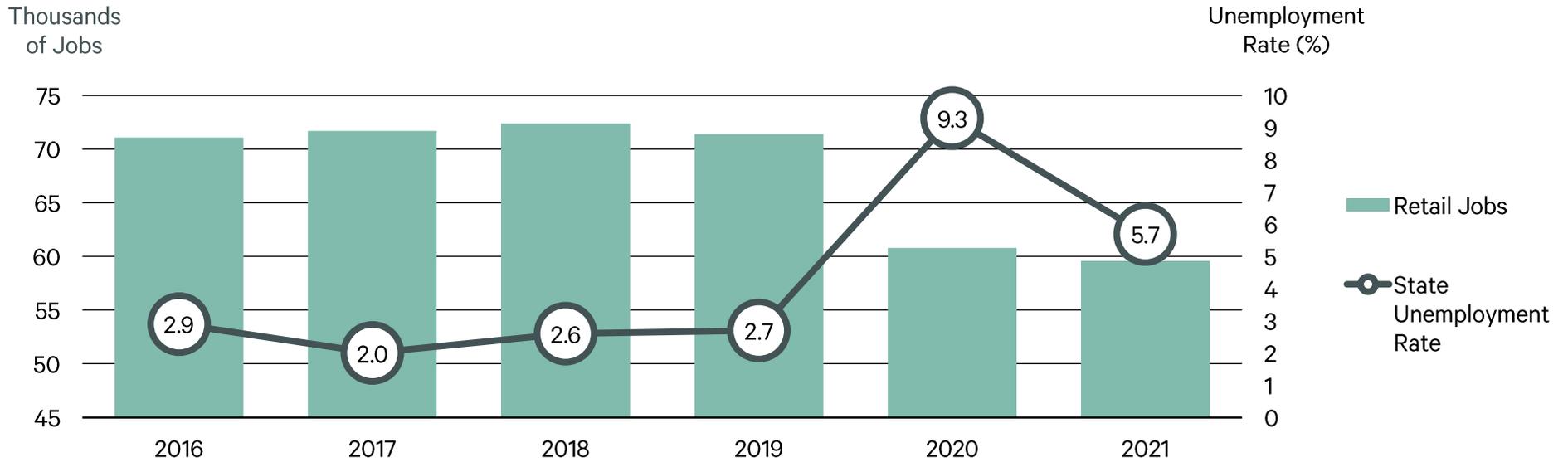
# RETAIL MARKET SUMMARY



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)	YTD Net Absorption (SF)
Community / Neighborhood Centers	76	9,533,060	936,149	9.8%	\$0.93	\$3.08	\$4.29	\$3.68	(97,395)
Regional Malls	8	5,735,155	200,240	3.5%	\$3.67	\$2.31	\$5.10	\$3.71	8,093
Specialty Centers	23	2,339,495	227,382	9.7%	\$2.06	\$7.73	\$12.47	\$10.10	(75,126)
Strip Centers	19	1,064,718	90,729	8.5%	\$1.15	\$3.14	\$4.28	\$3.71	15,639
Power Centers	7	2,155,838	234,638	10.9%	\$0.72	\$2.72	\$4.09	\$3.41	33,735
Outlet Centers	2	356,280	7,000	2.0%	\$1.11	\$3.00	\$5.00	\$4.00	7,900
<b>Islands</b>									
Oahu	82	14,356,573	793,745	5.5%	\$1.48	\$4.85	\$6.71	\$5.78	(109,513)
Maui	25	3,302,660	484,013	14.7%	\$1.07	\$2.75	\$4.55	\$3.65	40,050
Big Island	19	2,397,294	276,998	11.6%	\$1.36	\$2.70	\$4.69	\$3.69	(28,021)
Kauai	9	1,128,019	141,382	12.5%	\$0.97	\$2.28	\$4.14	\$3.21	(9,670)
<b>State of Hawaii</b>	<b>135</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>(107,154)</b>

Source: CBRE Research, Q4 2021

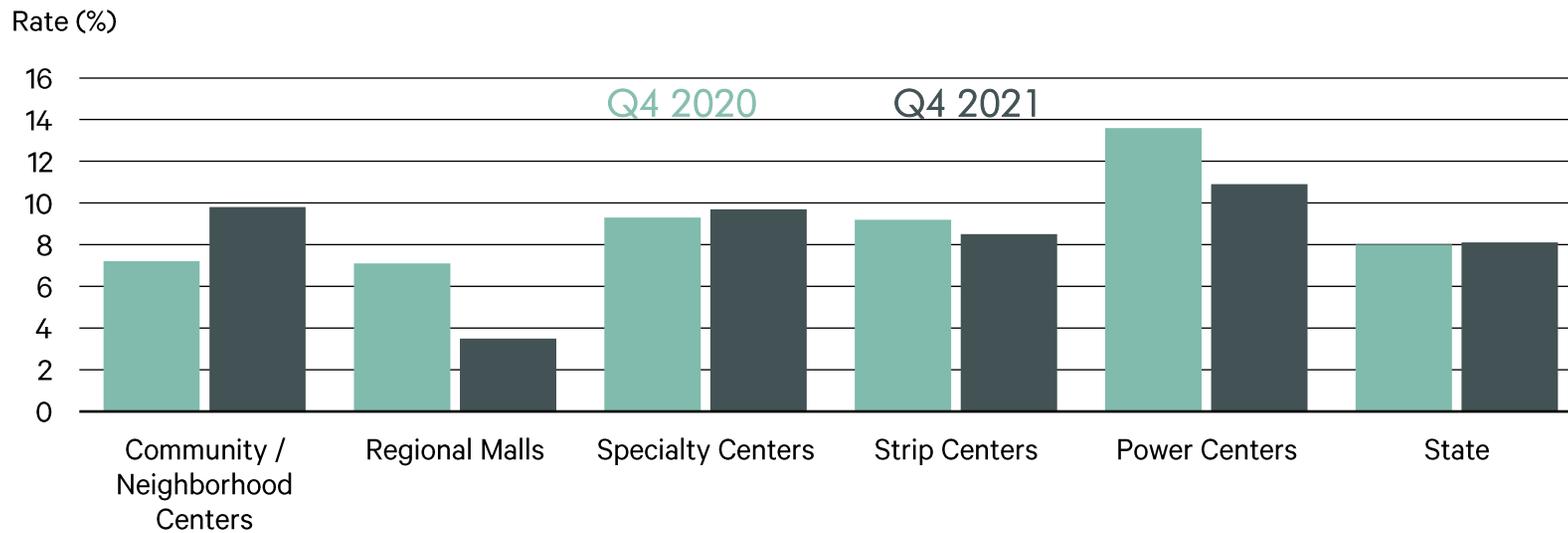
## RETAIL JOBS VS STATE UNEMPLOYMENT RATE



Source: BLS, 2020

\* Retail jobs is inclusive of positions in retail trade, food and beverage, and accommodations

## SUBMARKET VACANCY RATES



Source: CBRE Research, Q4 2021



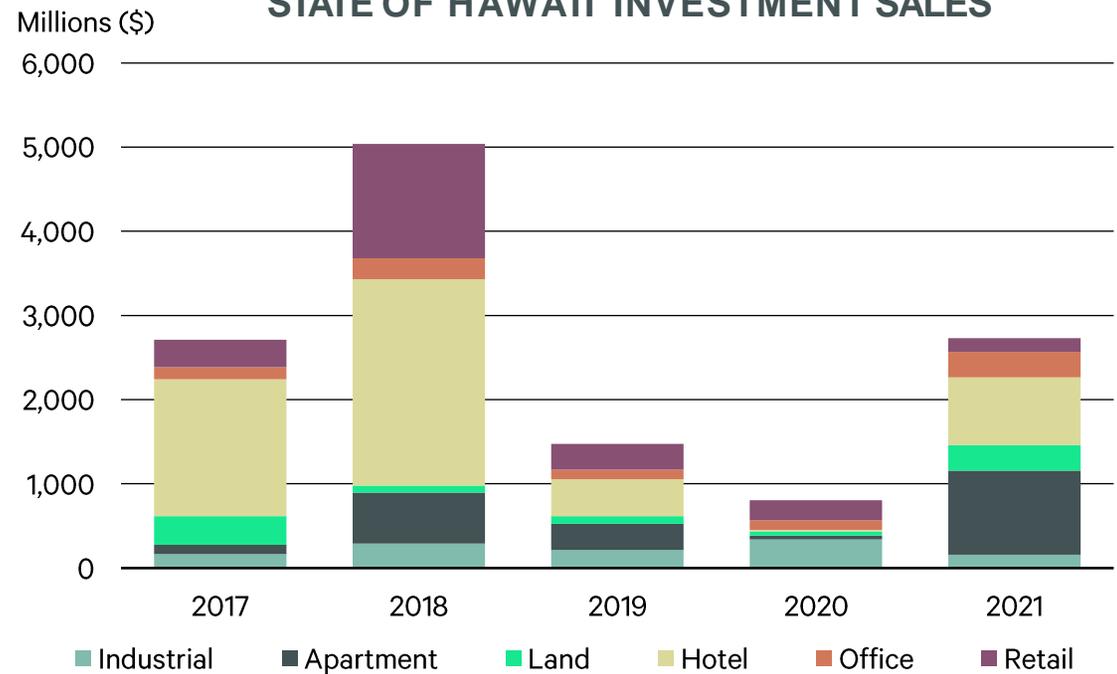
# INVESTMENT MARKET

While the pandemic discouraged international travel, much of the activity continued domestically, supported by historically low interest rates. Of the \$2,735,084,788 in transactions for 2021, only \$278,100,000 (per RCA) were cross border. Approximately 89% of the sales had a domestic buyer/seller composition.

The industrial sector has been the most consistently in-demand sector throughout the pandemic. Much of this is attributed to our reliance on supply chain solutions. Although it appears that transactions in this sector dropped from \$340,000,000 in 2020 to \$160,100,918 in 2021, there was also an additional \$269,831,190 in industrial land sales. Increasingly high net absorption (along with steady rental rates) indicates a high demand for industrial space. For industrial properties, current supply only limits the upper limit on demand.

Some of the more notable transactions in Hawaii this year were in the Multifamily/Apartment and Hotel sectors. Investment in the Multifamily/Apartment jumped from \$45,000,000 to \$995,158,076, with the sale of Kapillina for \$855,000,000, sold by Carmel Partners to Blackstone. Investment in Hotels went from a pandemic low of \$20,000,000 in 2020 to \$810,009,615 in 2021, with the sale of the Royal Lahaina Resort for \$425,000,000, sold to BlackSand Capital and Rockpoint Group. BlackSand Capital also purchased Waikiki Galleria from Sanno Group for \$270,000,000, a property categorized in the Office sector with mixed use street retail and affiliated with Duty Free.

## STATE OF HAWAII INVESTMENT SALES



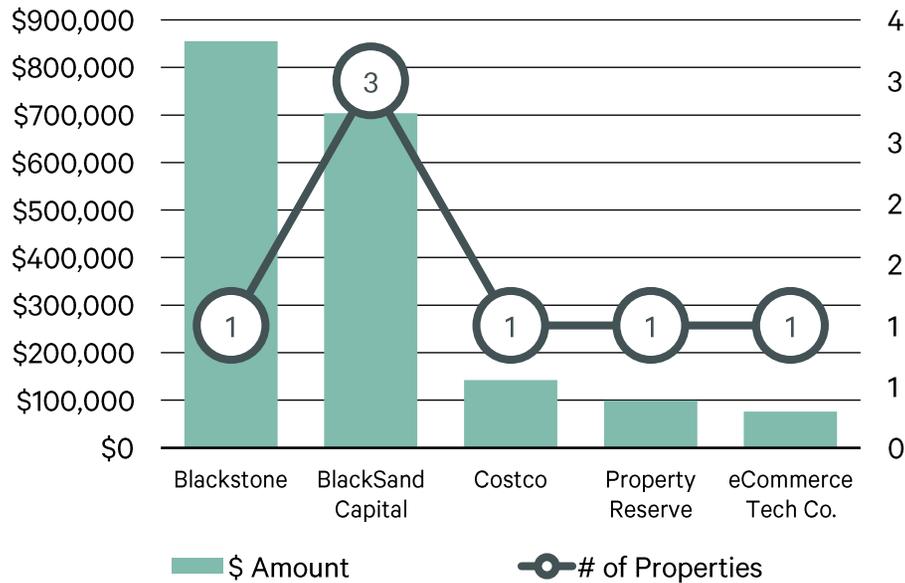
Source: Real Capital Analytics, 2021

On December 15, 2021, the Fed held a meeting to address inflation: “Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation. With inflation having exceeded 2% for some time, the committee expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the committee’s assessments of maximum employment.” In September 2021, the median projection for 2022 inflation was revised from 2.2% to 2.6%, while the unemployment rate at the end of the year was revised from 3.8% to 3.5%.

	Industrial	Apartment	Land	Hotel	Office	Retail
2017	\$167,446,092	\$107,175,159	\$339,625,964	\$1,629,940,000	\$143,436,315	\$321,964,602
2018	\$290,444,044	\$605,644,891	\$82,449,377	\$2,449,898,471	\$249,709,732	\$1,360,413,599
2019	\$214,500,000	\$312,000,000	\$122,000,000	\$439,000,000	\$113,000,000	\$308,600,000
2020	\$340,000,000	\$45,000,000	\$48,000,000	\$20,000,000	\$114,000,000	\$239,000,000
2021	\$160,100,918	\$995,158,076	\$303,123,440	\$805,009,615	\$302,697,000	\$163,995,739

Source: Real Capital Analytics, 2021

## TOP BUYERS 2021



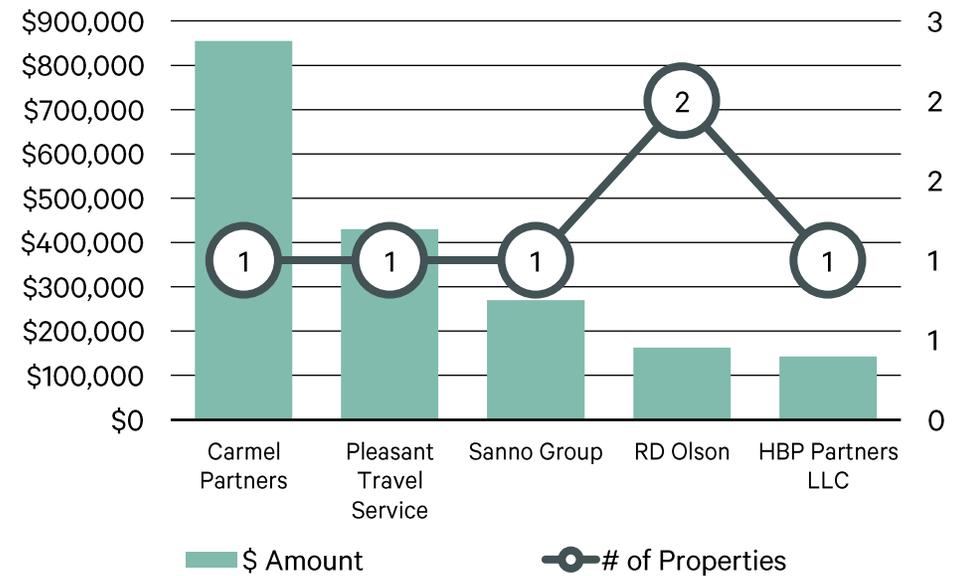
Source: Real Capital Analytics, 2021

After holding interest rates at 0.0-0.25% since March 2020, the central bank plans to scale back purchases of Treasuries and mortgage-backed securities to \$30 billion per month and doubling its pace to conclude the program in early 2022 instead of mid-year. Projections indicated policy makers plan on appropriating 3 increases in 2023 and 2 more in 2024 to bring the fund rates to 2.1% by the end of that year.

Local banking institutions echo the sentiment on inflation and interest rates. In anticipation to the current and near future economic environment, some lending programs fund based on market rents vs. cap rate-based appraisals. "Several quarter-point interest rate increases are not expected to significantly disrupt commercial real estate investment. CBRE expects the 10-year Treasury yield to rise by only 2.3% in 2022. As a result, real estate (long run capital) should be comparatively more attractive to investors as a hedge against inflation (short term) and as historically low-cost debt remains broadly available," stated Richard Barkham, Ph.D., MRICS, Global Chief Economist & Head of Americas Research.

While there are 'less distressed assets' in Hawaii due to it being an island state with limited land to dilute existing property value, the pandemic has

## TOP SELLERS 2021



Source: Real Capital Analytics, 2021

created opportunities for the re-purposing of some undervalued assets. Two such categories are in the Office and Retail sectors. The pandemic has made remote & hybrid work a norm, but global trends have indicated the intrinsic value of physical presence, in collaboration. Data across multiple U.S. cities supports there is a 'Flight to Quality' and resilience to Class A Office buildings that are energy efficient and equipped with high quality air filtration systems. In retrospect, it may have been obvious that outdoor shopping centers will fair relatively well in a pandemic compared to their indoor counterparts. Surprisingly however, some prominent e-commerce retailers have also recently incorporated bricks & mortar into their business model to achieve 'experiential retailing' and expand their brand presence. Part of living is engaging all our 5 senses to experience our environment, so 'placemaking' and real estate will continue to be an integral part of it.

The Zuckerberg's have recently purchased a \$17M property in Kauai (adding 110 acres to their existing 1,500-acre Hawaii Estate) and donated \$50M to the University of Hawaii for research. A Large Tech e-commerce company has also invested in a physical presence in Honolulu. If these tech titans' actions are any indication, there are and will be more opportunities in Hawaii, if you know where to look...



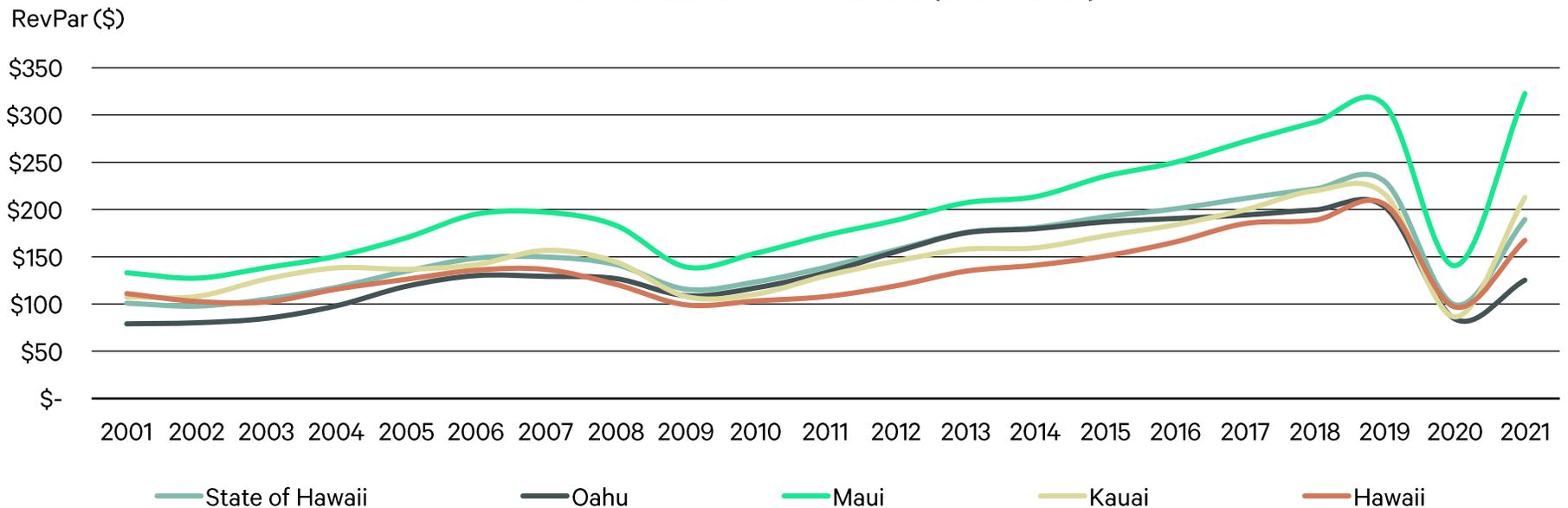
# HOTEL MARKET

The year for Hawaii really began in August of 2021 when travelers from the mainland were permitted to bypass the state's 10-day quarantine if they were fully vaccinated or could provide a negative Covid test through the Safe Travels program. Through November, visitor arrivals had surpassed all of 2020 by 122%. In 2021, the state had roughly 6.78 million visitors, well below the 10.4 million visitors in 2019, but far ahead of the 2.7 million visitors in 2020. Average daily spending by visitors increased to \$199 per person, up 1.4% from \$196 per person in 2019. For all of 2021, total visitor spending was \$13.0 billion, a 26.6% drop from the \$17.7 billion spent in 2019.

Since 1990, the hotel industry has weathered several recessions: In the early 1990's, the RevPAR recovery took four years. After 9/11, RevPAR also recovered to the prior peak within four years. The Global Financial Crisis of 2009 caused the deepest RevPAR decline prior to the COVID pandemic, at 19 percent. In the last instance, RevPAR recovery stretched out to five years. RevPAR declined by over 70 percent in 2020; however, the recovery time frame has been drastically faster than previous cycles. Maui has experienced the highest RevPAR figures in the last 20 years of \$322.70 and Kauai is a few dollars behind breaking the previous record set at \$219.82 in 2019. Although Oahu and Hawaii have yet to reach their pre-pandemic peaks, both are trending in the right direction, with RevPAR numbers drastically higher than they were in 2020.

According to the latest economic forecast from the University of Hawaii, visitor arrivals are not expected to return to pre-pandemic levels until at least 2025; however, visitor arrivals are expected to continue to trend upward this year. The study forecasts that visitors are expected to increase 22% in 2022 from roughly 6.7 million people in 2021 to 8.3 million people in 2022. Average daily room rates and occupancy rates are also expected to continue to rise in 2022. ADR is projected to increase from \$312.60 in 2021 to \$341.10 in 2022 and the occupancy rate is forecasted to increase from 58.5% in 2021 to 69.4% in 2022.

### HAWAII HOTEL REVPAR TRENDS (2001 – 2021)



Source: STR Inc., 2021

# ABOUT CBRE

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CBRE Group, Inc. (NYSE:CBRE) is the world’s largest commercial real estate services and investment firm, with the #1 global market position in leasing, property sales, property management, occupier outsourcing and valuation. Additionally, our development business (Trammell Crow Company) is the largest in the U.S. and we operate one of the largest investment management businesses (CBRE Global Investors) globally. CBRE has acquired a 60% ownership interest in Turner & Townsend Holdings Limited, a global professional services company specializing in program management, project management, and cost consulting across the commercial real estate, infrastructure and natural resources sectors. We are the largest shareholder in Industrious, a provider of premium flexible workplace solutions, and our SPAC, CBRE Acquisition Holdings (NYSE: CBAH.U) has entered into a planned business combination that is expected to result in Altus Power, Inc., a major provider of solar energy solutions, becoming a NYSE-listed public company in the fourth quarter of 2021.

## Our Business Segments

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### Advisory Services

- Advisory & Transaction Services
- Capital Markets
- Property Management
- Valuations

### Global Workplace Solutions

- Facilities Management
- Management Consulting
- Project Management

### Real Estate Investments

- Investment Management
- Development Services  
(Trammell Crow Company)

## CBRE HAWAII REGION

Serving Hawaii’s corporate and investment community since 1986, CBRE is the leading full-service commercial real estate company in Hawaii. With 70 employees in six office locations (including on-site management offices), our local operations serve the diverse needs of property owners, corporate users and institutions—enabling them to achieve and surpass their objectives. Our professionals have long been recognized for their ability to structure and complete large, sophisticated transactions on behalf of our clients. We have established an impeccable reputation for increasing the value and providing superior service at each asset entrusted to our care. A culture of collaboration empowers our people—and our clients—with the information they need to anticipate market opportunities, seize the competitive advantage and execute the best possible real estate strategies.

CBRE offers a broad range of expertise to its clients in the Hawaii region, including but not limited to:

- Brokerage Services
- Investment Properties
- Capital Markets
- Valuation & Advisory Services
- Property Management
- Project Management

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