

FIGURES | HAWAII OFFICE | Q1 2024

# Honolulu Office: Suburban rents continue to rise while vacancy and availability drops

▲ 11.7%

Vacancy Rate

▼ 13.8%

Availability Rate

▲ \$3.23

Average Gross Asking Rent (\$/SF/Mo)

▼ (41,908)

SF Net Absorption

Note: Arrows indicate change from previous quarter.

## Most submarkets experienced negative net absorption in Q1 2024

- The office sector across Oahu experienced 41,908 SF of negative net absorption, with all but two submarkets experiencing negative net absorption this quarter.

## Both vacancy rate and availability rate increased in Q1 2024

- The office vacancy rate increased to 11.7% in Q1 2024, and the availability rate increased to 13.8%.

## Asking rents increases slightly

- Average gross asking rents increased from \$3.22 in Q4 2023 to \$3.23 in Q1 2024, while OpEx decreased to \$1.62/SF.

FIGURE 1: Hawaii Office Market Distribution



Source: CBRE Research, Q1 2024

## Market Overview

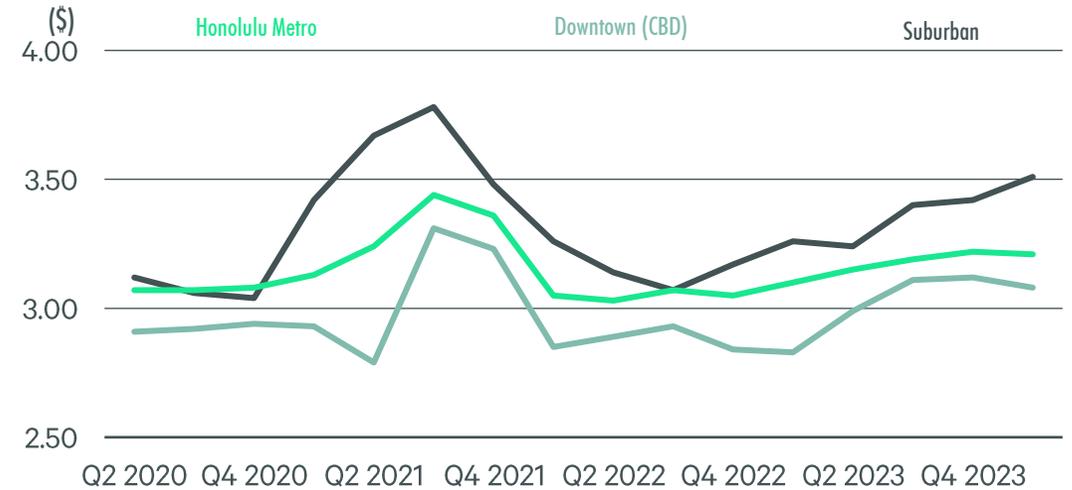
The Fed is expected to make three, 25 basis point cuts this year, putting downward pressure on longer-term rate expectations. This provides some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Continued economic growth and signals of more accommodative policy from the Fed suggest a 'soft landing' for the U.S. economy. U.S. Unemployment remains below 4% and high-capacity utilization, so CPI is unlikely to return to target until 2025. GDP growth is expected to be less than half of 2023's pace, with slower hiring and a more cautious consumer being the main factors.

Nationally, recent hiring has largely come from publicly funded sectors, with leisure and hospitality being driven by demand for discretionary services, which is a positive indication for Hawaii. Private firms have been more cautious, leading to a decline in job openings and a cooling of wage growth.

Consistent with national trends, office employment in Hawaii dipped slightly through February. Forecasts by 'The Economic Research Organization at the University of Hawaii' states that "The Islands' post-pandemic recovery [is] now largely complete, the economy will downshift this year... the labor market recovery on Maui was stronger than expected following the wildfires— supported by an already tight labor market. Elsewhere in the state, labor markets remain healthy. Employment has held steady or increased slightly on Hawaii Island, Oahu, and Kauai."

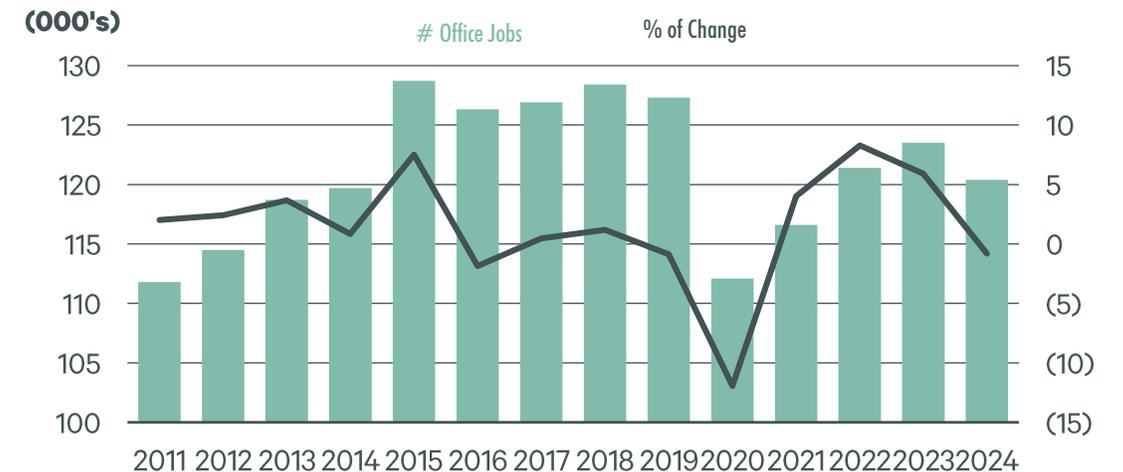
Activity in the Honolulu office sector remained relatively stagnant across Oahu, with negative net absorption across almost all submarkets. Both vacancy rate and availability rate increased by 0.7% this quarter. Operating expenses decreased while net asking rents increased slightly in Q1 2024, resulting in average gross asking rents to increase across Oahu by \$0.01. Operating Expenses were 1.62/SF in Q1, as many landlords are still updating their figures for 2024.

FIGURE 2: Gross Asking Rates



Source: CBRE Research, Q1 2024

FIGURE 3: Office Job Growth



Source: DBEDT, 2024

\*Through Nov

### Lease Rates

Average gross asking rents increased from \$3.22 in Q4 2023 to \$3.23 in Q1 2024. Net asking rents increased \$0.02 and OpEx decreased \$0.01 quarter over quarter. Suburban market gross asking rents continue to rise, increasing from to \$3.42 in Q4 2023 to \$3.51 in Q1 2024, while OpEx increased by \$0.04. Downtown market gross asking rents decreased by \$0.04, consistent with the decrease of \$0.04 in OpEx.

\*Overall Operating Expenses were \$1.62/SF in Q1, as many landlords are still updating their figures for 2024.

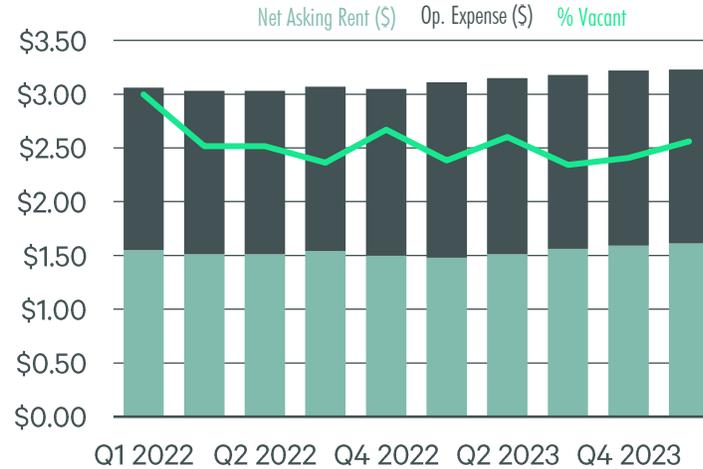
### Availability & Vacancy

The office vacancy rate increased from 11.0% in Q4 2023 to 11.7% in Q1 2024. The availability rate increased from 13.1% in Q4 2023 to 13.8% in Q1 2024 across Oahu. Suburban vacancy rate decreased from 12.1% to 11.9% and availability rate decreased from 14.2% to 14.1%. Downtown vacancy rate increased from 9.5% to 10.2% and availability increased from 11.0% to 12.1%.

### NET ABSORPTION

Q1 2024 experienced 41,908 SF of negative net absorption. Much of the negative net absorption occurred in Downtown and Kapiolani. Downtown experienced 16,847 SF of negative net absorption and Kapiolani experienced 17,688 SF of negative net absorption. West Honolulu was the suburban submarket that experienced the highest positive net absorption, at 5,269 SF, the highest for submarkets this quarter.

FIGURE 4: CAM & Asking Rates



Source: CBRE Research, Q1 2024

FIGURE 5: Submarket Vacancy %

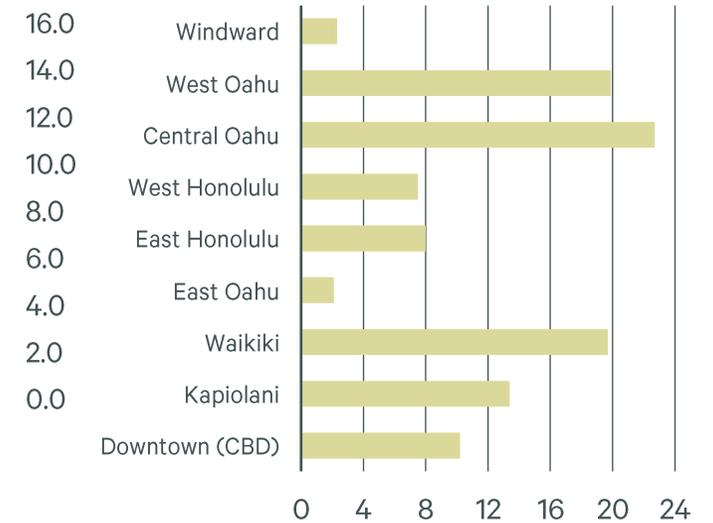
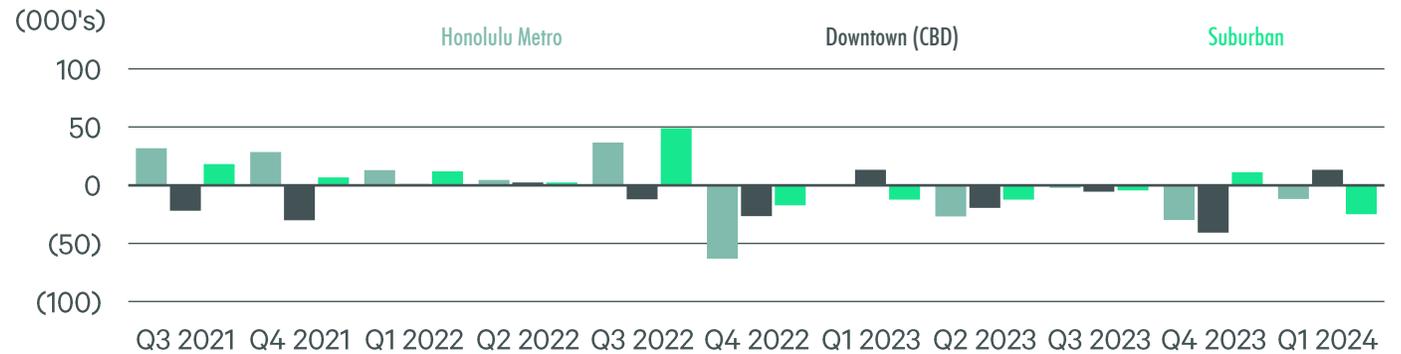


FIGURE 6: Historic Net Absorption (Sq.ft)



Source: CBRE Research, Q1 2024.

FIGURE 6: Market Statistics

Submarket	Net Rentable Area (Sq.Ft)	Vacant (Sq.Ft)	Vacancy Rate (%)	Availability Rate (%)	Operating Expenses (\$/SF/Mo)	Low Gross Rent (\$/SF/Mo)	High Gross Rent (\$/SF/Mo)	Average Gross Asking Rent (\$/SF/Mo)	Q1 2024 Net Absorption (sq.ft)
Downtown (CBD)	5,311,322	543,740	10.2%	12.1%	\$1.55	\$2.97	\$3.18	\$3.08	(16,847)
Kapiolani	3,042,255	407,328	13.4%	16.1%	\$1.77	\$3.48	\$3.67	\$3.57	(17,688)
Waikiki	610,992	120,200	19.7%	21.6%	\$1.79	\$3.25	\$3.59	\$3.42	(53)
East Oahu	160,528	3,314	2.1%	5.2%	\$2.20	\$4.58	\$5.51	\$5.05	1,000
East Honolulu	106,224	8,522	8.0%	10.6%	\$1.74	\$2.93	\$3.45	\$3.19	(401)
West Honolulu	1,387,076	104,524	7.5%	9.8%	\$1.17	\$2.30	\$2.44	\$2.37	5,269
Central Oahu	345,575	78,364	22.7%	23.8%	\$1.45	\$2.78	\$3.44	\$3.11	(2,445)
West Oahu	406,302	80,850	19.9%	22.3%	\$1.63	\$3.52	\$3.70	\$3.61	(9,495)
Windward	218,121	5,103	2.3%	3.5%	\$1.77	\$3.77	\$3.77	\$3.77	(1,248)
<b>Oahu</b>	<b>11,588,395</b>	<b>1,351,945</b>	<b>11.7%</b>	<b>13.8%</b>	<b>\$1.62</b>	<b>\$3.13</b>	<b>\$3.32</b>	<b>\$3.23</b>	<b>(41,908)</b>

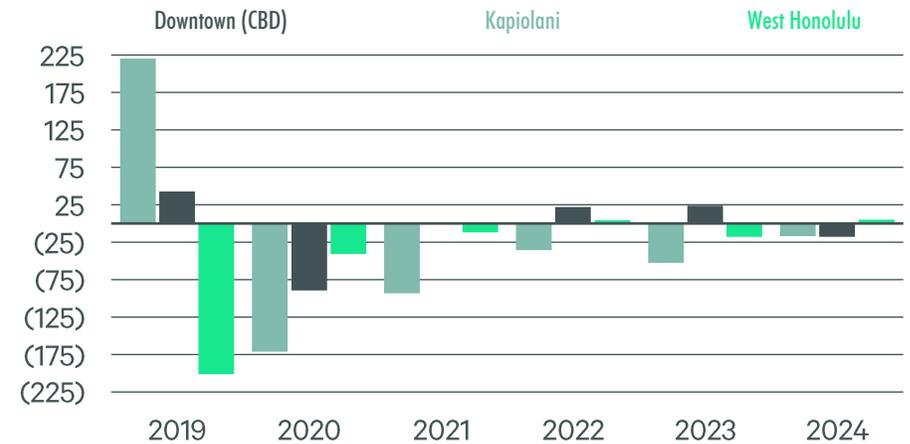
Source: CBRE Research, Q1 2024

\*CBRE recently updated the NRA for all properties in our inventory to reflect the most up to date BOMA measurements. This resulted in the change of total SF compared to previous reports

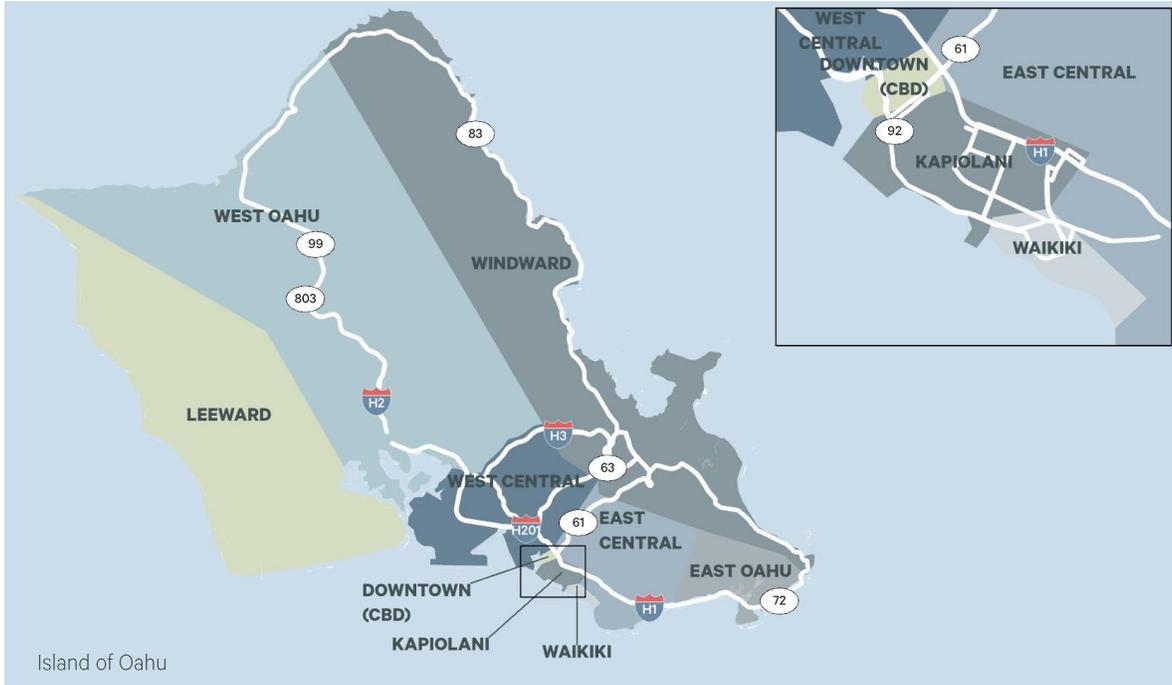
FIGURE 7: Historical Net Absorption Top 3 Submarkets by NRA (Sq. Ft.)

Year	Downtown (CBD)	Kapiolani	West Honolulu
2019	220,578	42,843	(201,391)
2020	(171,416)	(89,547)	(40,829)
2021	(93,021)	128	(43,582)
2022	(26,465)	(13,622)	(3,651)
2023	(52,638)	23,663	(17,861)
2024	(16,847)	(17,688)	5,269

FIGURE 8: Historical Net Absorption Top 3 Submarkets by NRA (Sq. Ft.)



### Market Area Overview



### Survey Criteria

Market coverage includes Oahu multi-tenant Class A and Class B office buildings 20,000 sq. ft. and larger located within defined submarkets, and 40,000 sq. ft. and larger in the CBD. It excludes condominium and medical office buildings and government-owned office buildings.

### Honolulu – Bishop Square

1003 Bishop St, Suite 1800  
 Honolulu, HI 96813  
 +1 808 521 1200

### Contacts

**Blair Bonuccelli**

Managing Director  
 Blair.Bonuccelli@cbre.com

**Zach DiSalvo**

Field Research Manager  
 Zach.DiSalvo@cbre.com

**Maggie Lui**

Field Research Analyst  
 Maggie.Lui@cbre.com

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