

FIGURES | HAWAII INDUSTRIAL | Q4 2021

# Hawaii Q4 Industrial Market: Demand Outpacing Supply



Note: Arrows indicate change from previous quarter.

## Net Absorption Remains Positive for Industrial

- Net absorption for Q4 wrapped up at 79,739 sq. ft., and at 464,561 sq. ft. for 2021. Oahu contributed the most to this figure at 405,470 sq. ft. for 2021. Both Oahu and Maui commanded higher than state average rents at \$1.72 and \$1.76 per sq ft.

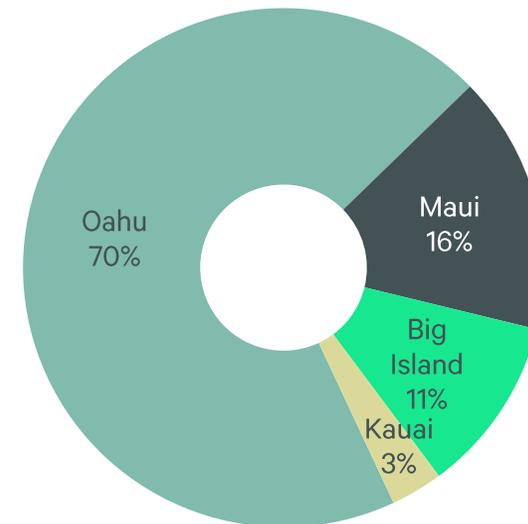
## Demand Outpacing Supply

- Demand for Industrial space across the U.S. outpaced supply, driving availability in the sector to a record low of 6.0%. U.S. wages for construction workers are expected to increase 3.4% per year over the next 5 years - CBRE Economic Advisors (CBRE EA) Forecast on Industrial

## Ecommerce Forecasts Predict Growth to Continue

- Supply Chain Logistics CAGR for ecommerce retail sales projected to increase by 7.7% for 2021-31 - CBRE Economic Advisors (CBRE EA) Forecast on Industrial

FIGURE 1: Hawaii Industrial Market Distribution



Source: CBRE Research, Q4 2021.

## Market Overview

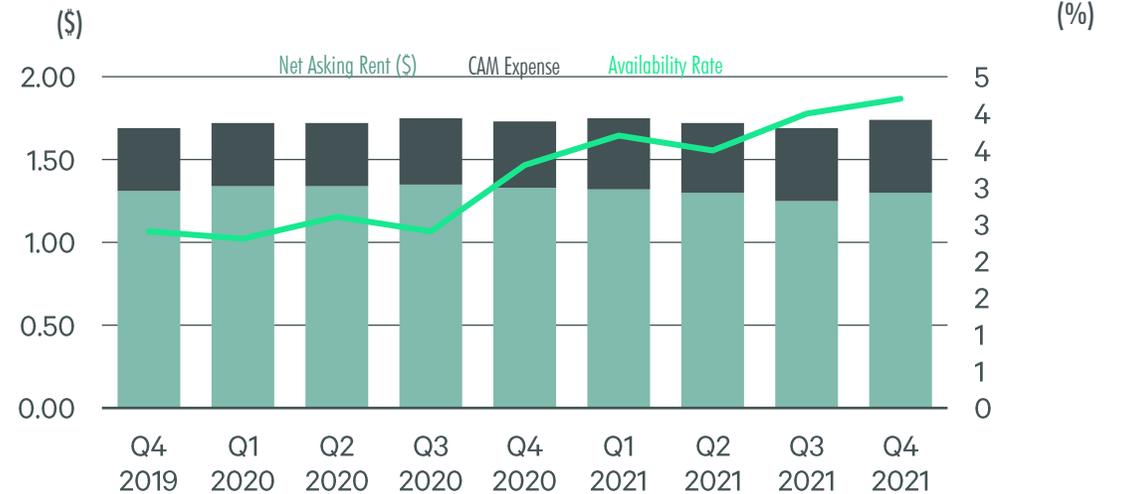
Throughout the pandemic, the industrial sector has been the strongest sector of the commercial real estate market. This trend for our islands aligns with international trends as companies embrace ecommerce solutions and proactively address supply chain delays and shipping costs with industrial employment and local fulfillment warehouses and facilities. Statewide availability rose slightly from 3.7% in 2020 to 4.2% in 2021, but net absorption increased from a negative (220,0530) sq. ft. in 2020 to a positive 464,561 sq. ft. in 2021, while net asking rent and operating expenses stabilized at a statewide average of \$1.26 per sq. ft. and \$0.43 per sq. ft.

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, Net Absorption in two of the most highly in demand submarkets in Honolulu were Iwilei and Mapunapuna with Net Absorption at 139,624 sq. ft. and 101,800 sq. ft. respectively. West Oahu, Kapolei was right behind with a Net Absorption of 82,337 sq. ft., Net Rentable Area of 2,677,493 sq. ft., but only 197,239 sq. ft. of Available Area.

Recent sales in West Oahu included Kapolei Business Park West, approximately 60 acres of industrial zoned land each at Koa Ridge, Ho’Opili, Harborside, 123 acres in Kunia, and Phase 1 of Kalaeloa with Phase 2 yet to be determined. Realistically, there will be no significant new industrial parcels released for the foreseeable future.

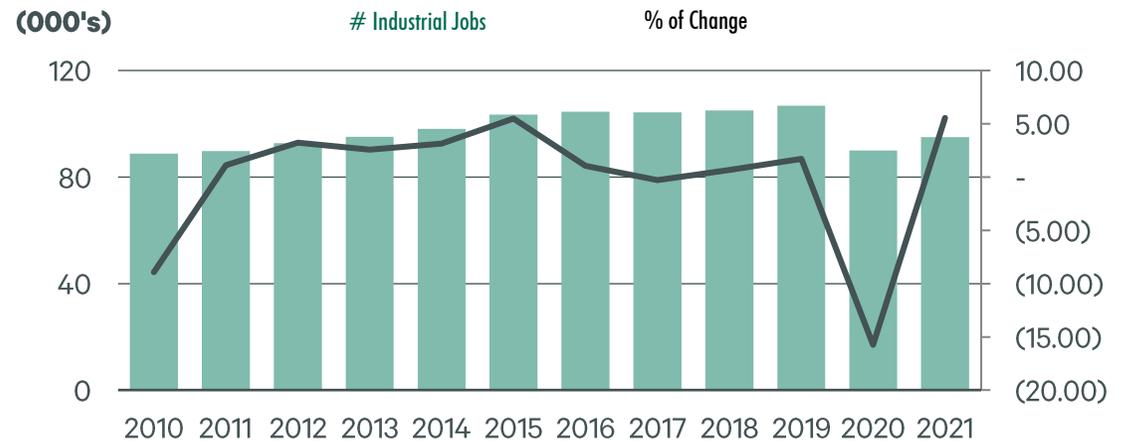
This low inventory and high demand, coupled with low interest rates, creates an opportunity for investors to re-position their investment portfolios to leverage the current real estate market dynamics.

FIGURE 2: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2021

FIGURE 3: Industrial Job Growth



Source: DBEDT, 2021

### Lease Rates

The average net asking rate stabilized and closed out the year at \$1.26 per sq. ft., with Oahu and Maui commanding the highest rates at \$1.26 per sq. ft. and \$1.35 per sq. ft. respectively. Operating expenses averaged at \$0.43 per sq. ft. with Oahu at \$0.45 per sq. ft. and Maui at \$0.41 per sq. ft. Subsequently, Oahu and Maui surpassed the statewide average gross asking rate of \$1.69 per sq. ft. with Oahu at \$1.72 per sq. ft. and Maui at \$1.76 per sq. ft.

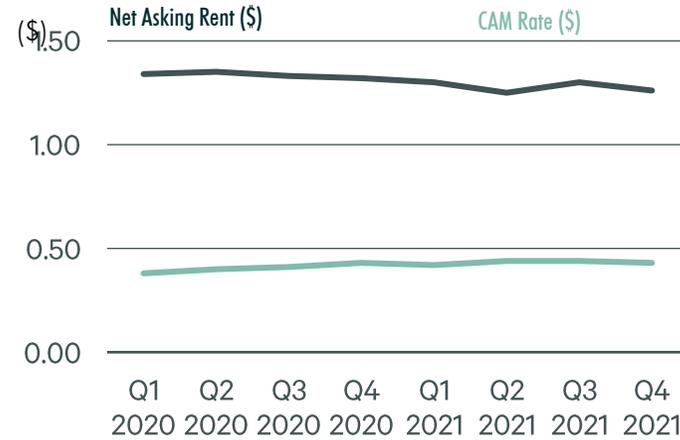
### Availability & Vacancy

Statewide availability held steady at 4.20% from last quarter, an increase from 3.72% compared to the same time last year. Oahu had the largest year over year availability rate change with a 140-bps increase last quarter due to new inventory completed in 2020 and several large, new vacancies. This availability rate change difference dropped to 72-bps this quarter as an indication of increased market demand for industrial space. Kauai had the lowest availability rate at 0.6%.

### Net Absorption

Net absorption was positive in 2021 on a statewide basis at 464,561 sq. ft. Among all islands, only Kauai experienced negative net absorption, at (6,533) sq. ft. Oahu had the highest amount of net absorption, at 80,822 sq. ft. for Q4 and 405,470 sq. ft. for 2021. Among submarkets, Windward had the greatest net absorption, with 54,541 sq. ft. for Q4 and Iwilei had the greatest net absorption for 2021 overall with 139,624 sq. ft. for 2021.

FIGURE 4: CAM & Asking Rates



Source: CBRE Research, Q4 2021.

FIGURE 5: Availability Rate Year-Over-Year

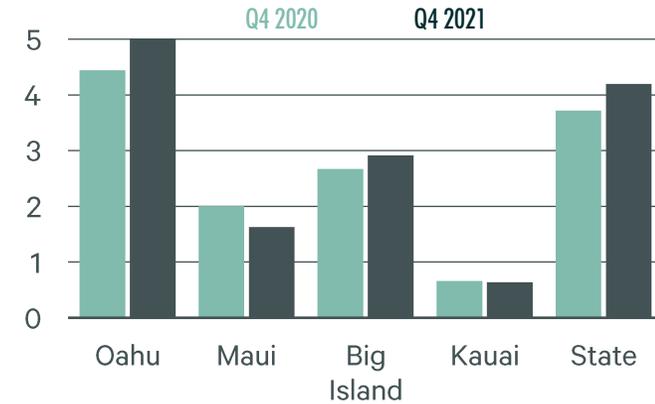
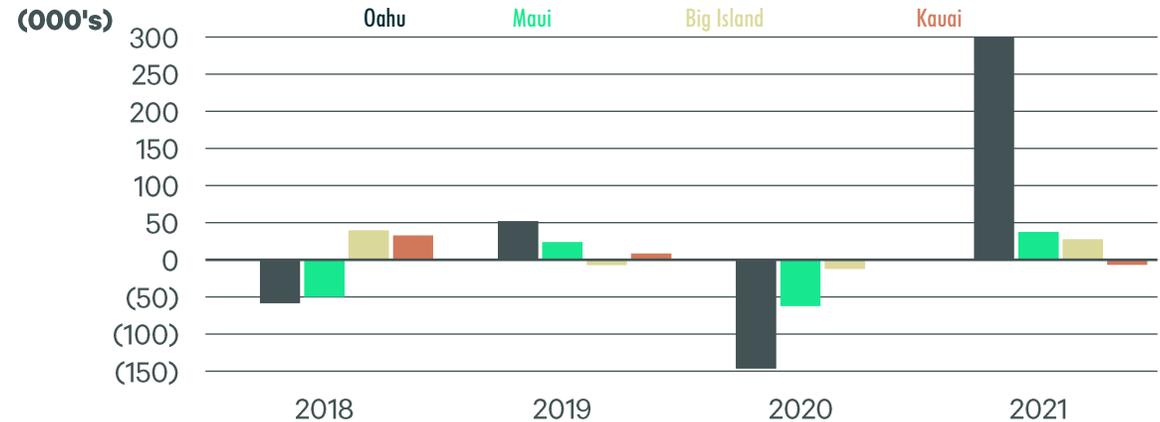


FIGURE 6: YTD Net Absorption by Island (Sq.ft)



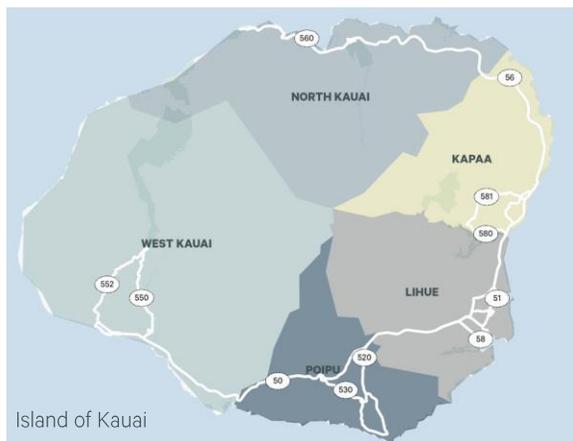
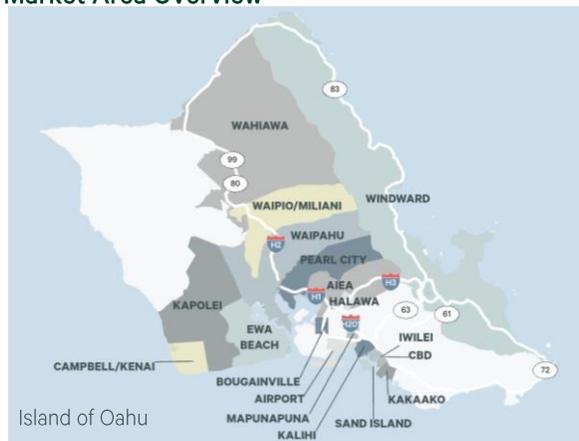
Source: CBRE Research, Q4 2021.

FIGURE 6: Market Statistics

Submarket	Net Rentable Area (Sq.Ft.)	Available Area (Sq.Ft.)	Availability Rate (%)	Operating Expenses (\$/SF/Month)	Net Average Asking Rent (\$/SF/Month)	Gross Average Asking Rent (\$/SF/Month)	Net Absorption Q4 (Sq.Ft.)	Net Absorption YTD (Sq.Ft.)
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

### 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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