

FIGURES | HAWAII OFFICE | Q2 2024

Honolulu Office: West Honolulu continues to lead in net absorption for Q2 2024

▼ 11.3%
Vacancy Rate

▼ 13.7%
Availability Rate

▲ \$3.36
Average Gross Asking Rent
(\$/SF/Mo)

▲ (11,207)
SF Net Absorption

Note: Arrows indicate change from previous quarter.

Most submarkets experienced negative net absorption in Q2 2024

- The office sector across Oahu experienced 11,207 SF of negative net absorption.

Change in office inventory impact vacancy and availability rates

- The office vacancy rate decreased to 11.3% in Q2 2024, and the availability rate decreased to 13.7%, mostly due to a change in the overall office base.

Asking rents increases while operating expenses held steady

- Average gross asking rents increased from \$3.23 in Q3 2024 to \$3.36 in Q2 2024, while OpEx held at \$1.62.

FIGURE 1: Hawaii Office Market Distribution



Source: CBRE Research, Q2 2024

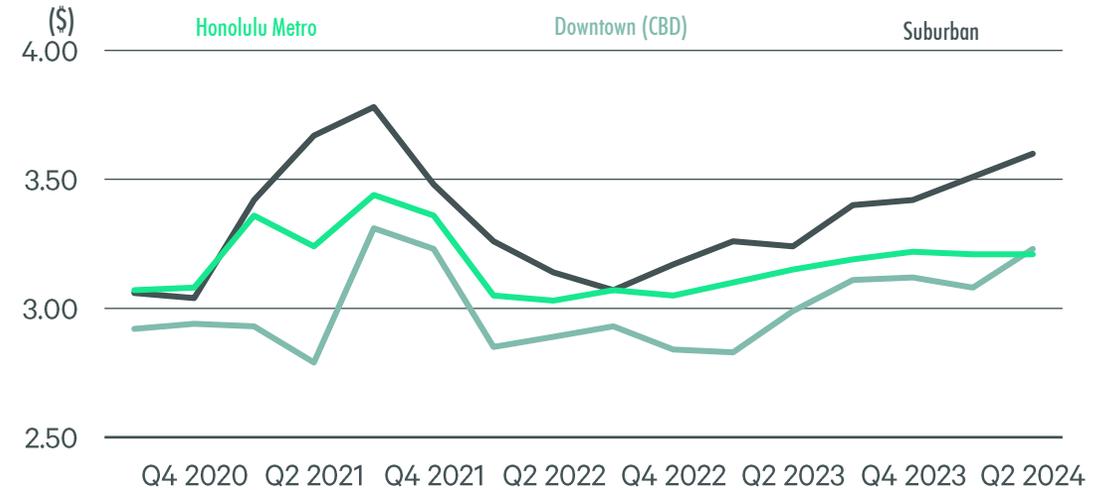
Market Overview

The U.S. inflation rate in June indicates a core CPI of 3.3%, the lowest annual increase since April 2021, with overall inflation expected to continue to fall toward the Fed’s 2% target. The U.S. economy added 206,000 jobs in June, with gains largely in healthcare, social services, government and construction. The office sector lost 17,000 jobs in June for professional & business services but gained 9,000 jobs in financial activities. Labor participation rate increased to 62.6%, while the unemployment rate edged up 10 bps to 4.1%. The softening labor market and easing inflation will push the 10-year Treasury yield to 4.1% by year-end. Although slowing job growth will weigh on demand, the resilient economy will continue to support leasing activity, and lower interest rates will provide a tailwind to investment activity later this year.

Consistent with national trends, office employment in Hawaii dipped slightly through May when compared to 2023. Forecasts by ‘The Economic Research Organization at the University of Hawaii’ states that “Job growth continues at a modest pace in all counties other than Maui. Filled jobs in Maui County remain nearly 5,000 fewer than before the wildfires. Maui sectors heavily reliant on tourism will take the longest to recover. Over the long term, much slower population growth in the Islands will constrain growth. Oahu will see the slowest population and labor force growth and Hawaii County the strongest.”

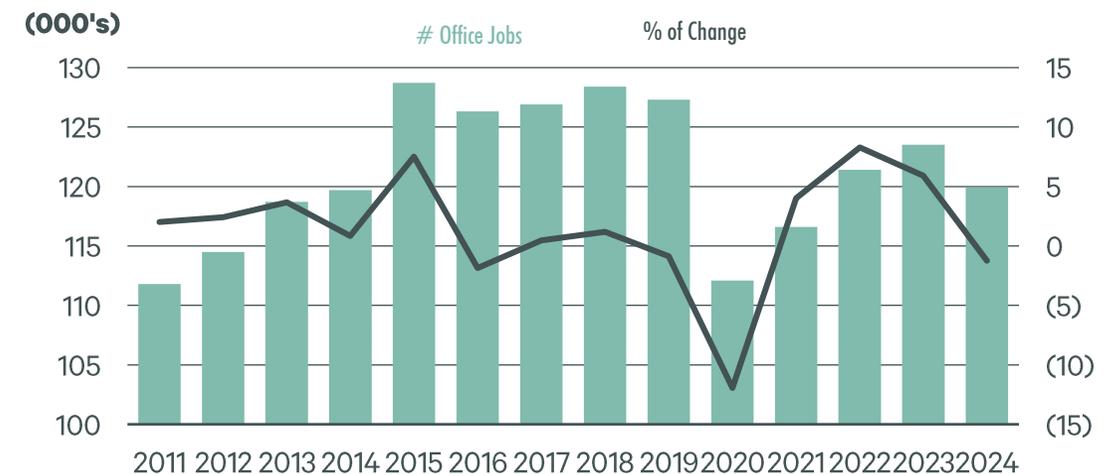
Activity in the Honolulu office sector remained relatively stagnant across Oahu, with negative or negligible net absorption across almost all submarkets, except in West Honolulu. Vacancy rate decreased by 0.4% while availability decreased by 0.1%. Operating expenses remained the same this quarter, while average gross asking rents increased across Oahu by \$0.13. Operating Expenses were \$1.62/SF in Q2, as many landlords are still updating their figures for 2024.

FIGURE 2: Gross Asking Rates



Source: CBRE Research, Q2 2024

FIGURE 3: Office Job Growth



Source: DBEDT, 2024

*Through May

Lease Rates

Average gross asking rents increased from \$3.23 in Q1 2024 to \$3.36 in Q2 2024. Net asking rents increased to \$0.13 while OpEx remained at \$1.62 quarter over quarter. Suburban market gross asking rents continue to rise, increasing from \$3.51 in Q1 2024 to \$3.60 in Q2 2024, while OpEx remained at \$1.69. Downtown market gross asking rents increased by \$0.15, along with the increase of \$0.03 in OpEx.

*Overall Operating Expenses were \$1.62/SF in Q2, as many landlords are still updating their figures for 2024.

Availability & Vacancy

The office vacancy rate decreased from 11.7% in Q1 2024 to 11.3%, largely due to inventory changes that increased the overall base. The availability rate decreased from 13.8% in Q1 2024 to 13.7% across Oahu. Suburban vacancy rate decreased from 11.9% to 11.2% and availability rate decreased from 14.1% to 13.2%. Downtown vacancy rate decreased from 10.2% to 9.8% and availability increased from 12.1% to 12.6%.

NET ABSORPTION

Q2 2024 experienced 11,207 SF of negative net absorption. Much of the negative net absorption occurred in Downtown and Kapiolani. Downtown experienced 4,975 SF of negative net absorption and Kapiolani experienced 18,830 SF of negative net absorption. West Honolulu was the suburban submarket that experienced the highest positive net absorption, at 15,430 SF, the highest for submarkets this quarter.

FIGURE 4: CAM & Asking Rates



Source: CBRE Research, Q2 2024

FIGURE 5: Submarket Vacancy %

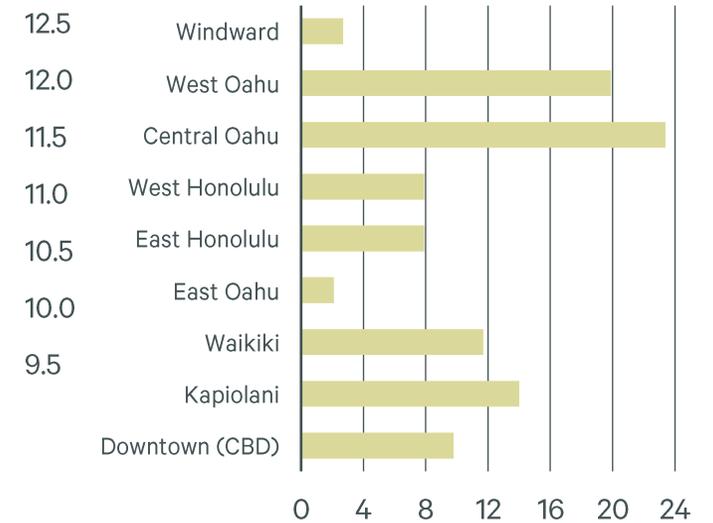
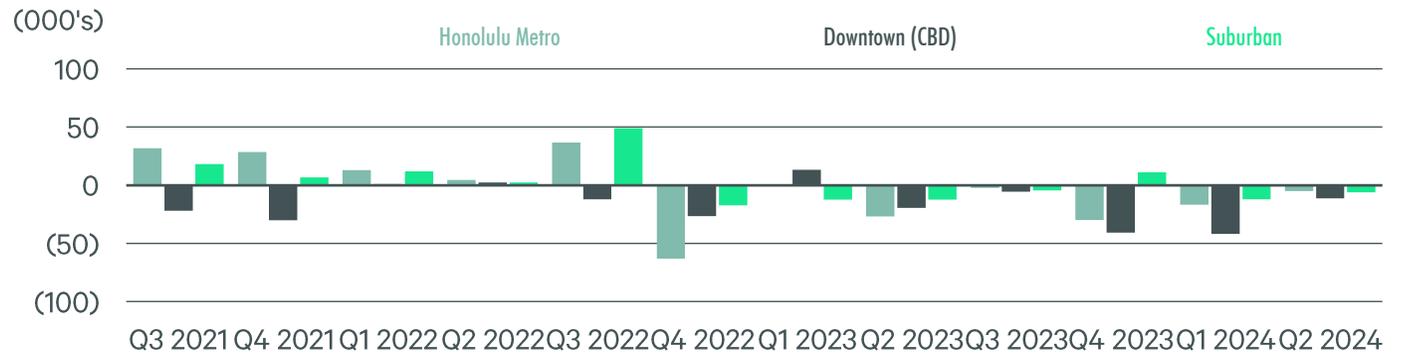


FIGURE 6: Historic Net Absorption (Sq.ft)



Source: CBRE Research, Q2 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)	Q2 2024 Net Absorption (sq.ft)
Downtown (CBD)	5,333,102	521,057	9.8%	12.6%	\$1.58	\$3.14	\$3.33	\$3.23	(4,975)
Kapiolani	3,042,255	426,158	14.0%	16.9%	\$1.78	\$3.66	\$3.82	\$3.74	(18,830)
Waikiki	610,992	71,607	11.7%	13.7%	\$1.79	\$3.80	\$4.07	\$3.94	(104)
East Oahu	160,528	3,314	2.1%	5.4%	\$2.20	\$4.60	\$5.48	\$5.04	-
East Honolulu	106,224	8,048	7.6%	11.0%	\$1.74	\$2.94	\$3.46	\$3.20	474
West Honolulu	1,390,076	109,476	7.9%	8.6%	\$1.17	\$2.35	\$2.59	\$2.47	15,430
Central Oahu	345,575	80,989	23.4%	24.5%	\$1.45	\$2.78	\$3.44	\$3.11	(2,625)
West Oahu	406,302	80,669	19.9%	21.7%	\$1.74	\$3.63	\$3.80	\$3.71	181
Windward	218,121	5,861	2.7%	3.3%	\$1.64	\$3.63	\$3.63	\$3.63	(758)
Oahu	11,613,175	1,307,179	11.3%	13.7%	\$1.62	\$3.27	\$3.44	\$3.36	(11,207)

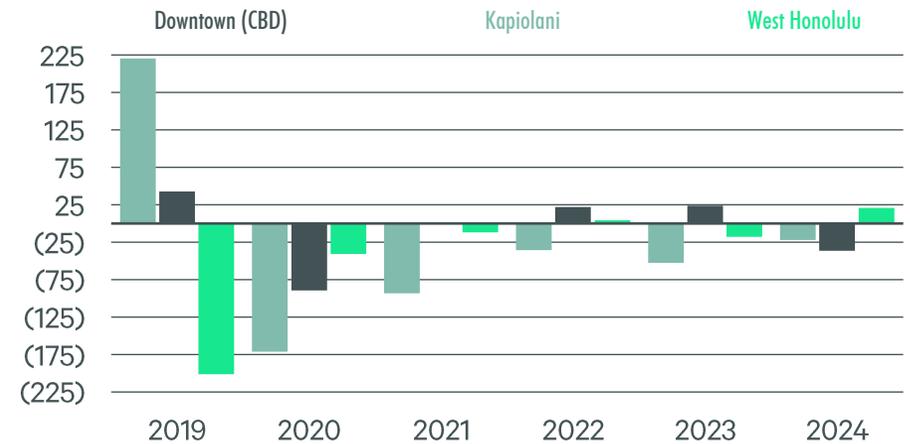
Source: CBRE Research, Q2 2024

*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

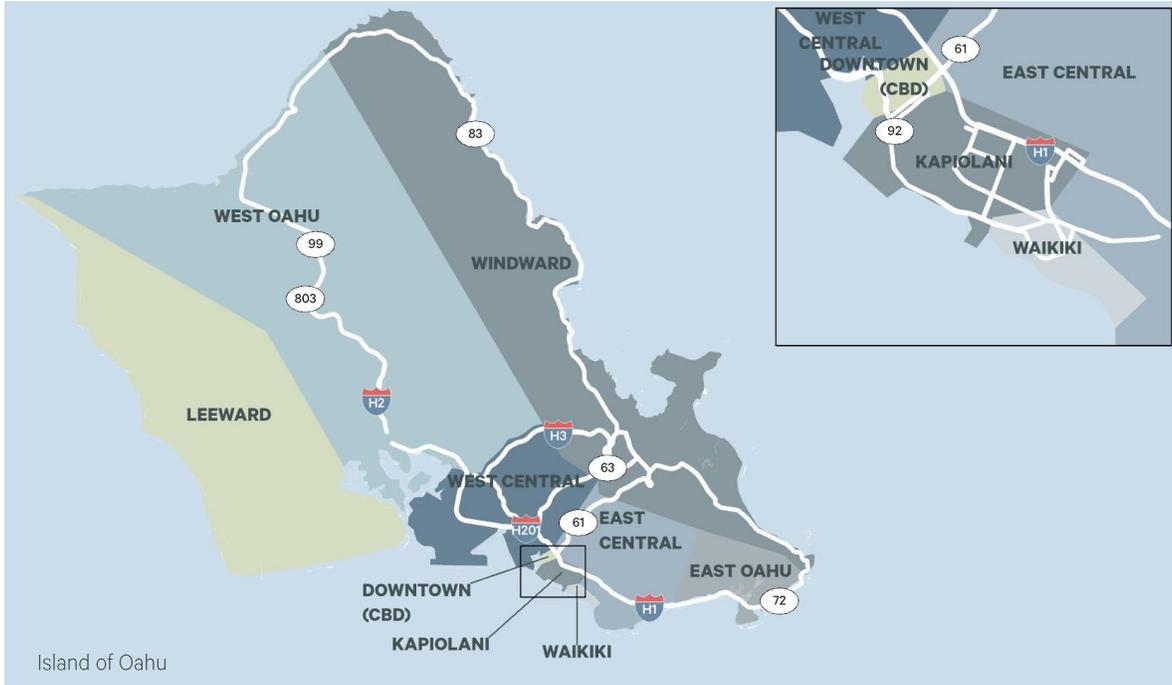
FIGURE 7: Historical Net Absorption Top 3 Submarkets by NRA (Sq. Ft.)

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	(21,822)	(36,518)	20,699

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.

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