Honolulu Office: Absorption Turns Negative Amid Rising Vacancy

▲ 11.8%
Vacancy Rate

▼ (39,956)
SF Net Absorption

▲ $3.61
FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- **Net absorption turns negative in Q4**

  - The market recorded -39,956 SF, reversing +59,423 SF in Q3

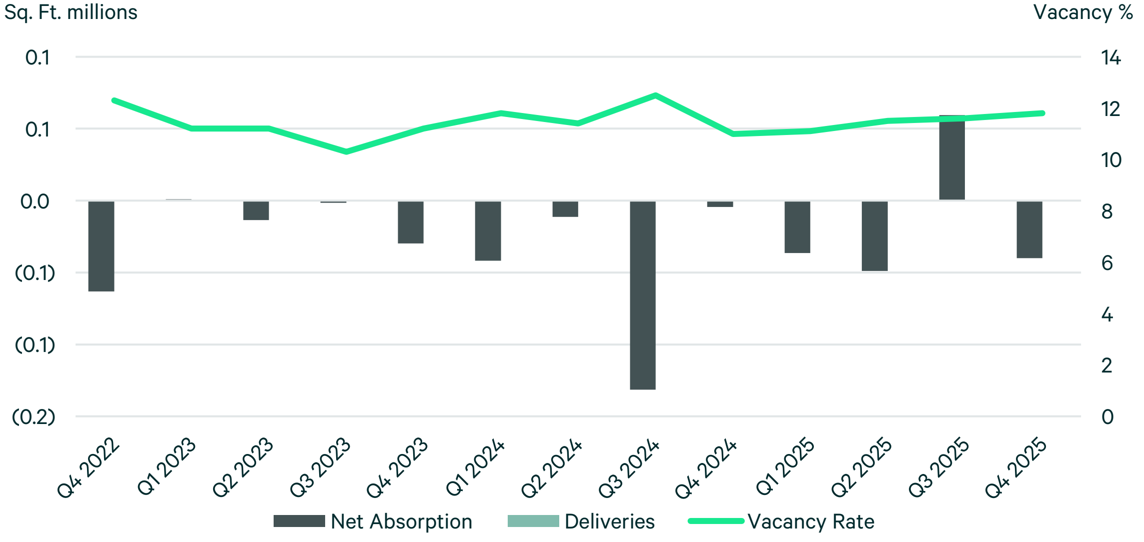
- **Vacancy rate inches up to 11.8%**

  - Overall vacancy rose 20 bps with Class A at 12.2% and Class B at 11%

- **Asking rents hold steady at $3.61 PSF/month**

  - Average gross rents remained flat quarter-over-quarter, up 3.4% year-over-year.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



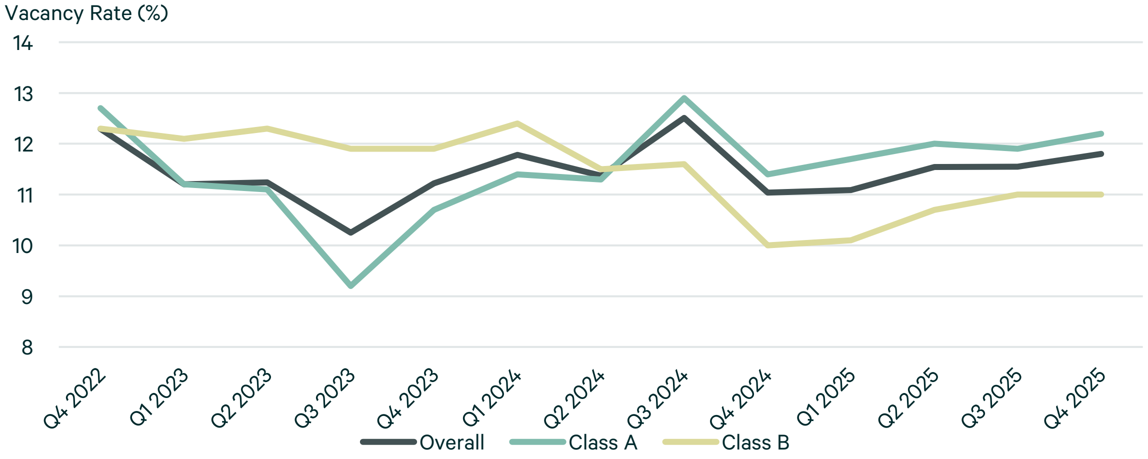
Source: CBRE Research, Q4 2025

Vacancy

Hawaii's office market closed Q4 2025 with an overall vacancy rate of 11.8%—Class A space at 12.2% and Class B at 11.0%. The overall rate climbed 20 basis points from the previous quarter, driven by a 30-basis point increase in Class A while Class B held flat.

Year-over-year trends show broader pressure, with overall vacancy up 80 basis points. Class A rose 80 basis points while Class B increased 100 basis points. However, the three-year view reveals a different picture: overall vacancy has increased only 50 basis points, while Class A has tightened by 50 basis points and Class B has compressed by 130 basis points, pointing to underlying market resilience.

FIGURE 2: Vacancy Rates by Class



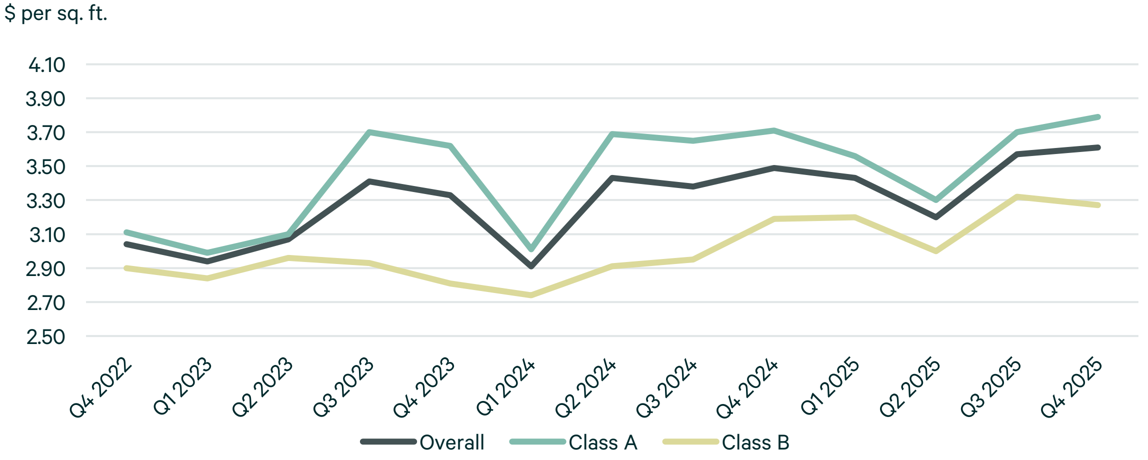
Source: CBRE Research, Q4 2025

Asking Rent

Average asking rent stood at $3.61 per sq. ft. per month gross in Q4 2025, remaining flat from the previous quarter. Class A space commanded $3.79 per sq. ft., while Class B averaged $3.27 per sq. ft.—both also unchanged quarter-over-quarter.

Year-over-year growth showed modest gains across the board: overall rents increased 3.4% ($0.12), with Class A up 2.2% ($0.08) and Class B rising 2.5% ($0.08). The three-year trend reveals more substantial appreciation, with overall rents climbing 18.7% ($0.57). Class A led the way with 21.9% growth ($0.68), while Class B posted a 12.8% increase ($0.37).

FIGURE 3: Avg. Direct Asking Rate (FSG/MTH) by Class



Source: CBRE Research, Q4 2025

Net Absorption

Net absorption turned negative in Q4 2025, totaling -39,956 sq. ft.—a sharp reversal from the previous quarter's positive 59,423 sq. ft. Class A space drove the decline with -38,421 sq. ft. (down from +44,304 sq. ft.), while Class B contributed -1,535 sq. ft. (down from +15,119 sq. ft.).

The annual picture shows continued contraction, with net absorption totaling -65,852 sq. ft. over the last four quarters. Class A accounted for -57,345 sq. ft. of this decline, while Class B absorbed -8,507 sq. ft. The three-year cumulative trend underscores persistent market headwinds: overall net absorption reached -362,093 sq. ft., with Class A representing -265,069 sq. ft. and Class B contributing -69,907 sq. ft.

FIGURE 4: Net Absorption Trend

Source: CBRE Research, Q4 2025

Construction Activity

Development activity remained entirely dormant in Q4 2025, with no projects under construction and no deliveries—a pattern that has persisted across the past three years. The complete absence of new supply reflects both the challenging fundamentals facing Hawaii's office market and the limited appetite for speculative development in the current environment.

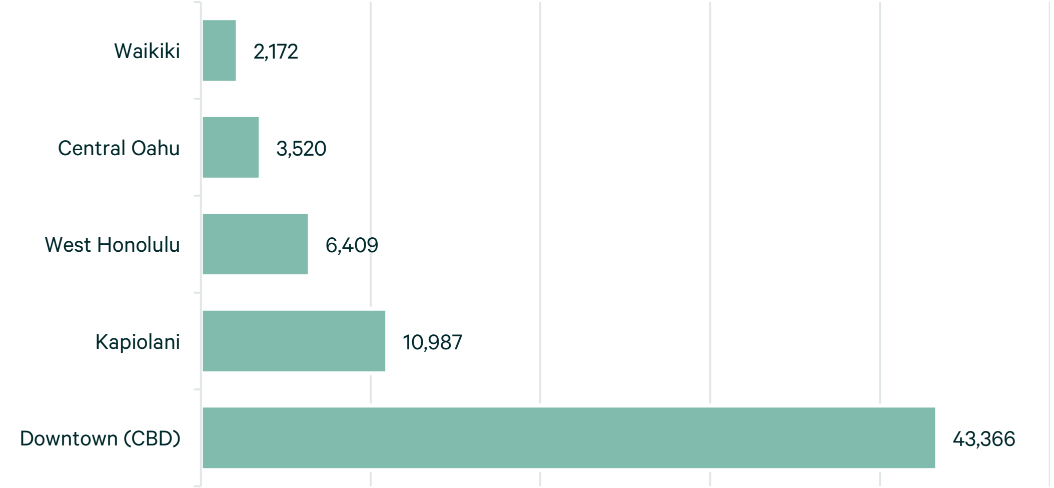
Leasing Activity

Leasing activity slowed considerably in Q4 2025, with 66,454 sq. ft. leased across 22 transactions. Class A space accounted for 56,525 sq. ft. over 17 leases, while Class B captured 9,929 sq. ft. across 5 deals.

The quarter marked a significant pullback from Q3, with activity declining by 65,241 sq. ft.—driven primarily by Class A's 59,115 sq. ft. drop, while Class B fell 6,126 sq. ft. Year-over-year comparisons show similar weakness, with overall leasing down 37,340 sq. ft. Class A declined 37,550 sq. ft., while Class B remained essentially flat with a modest 210 sq. ft. increase.

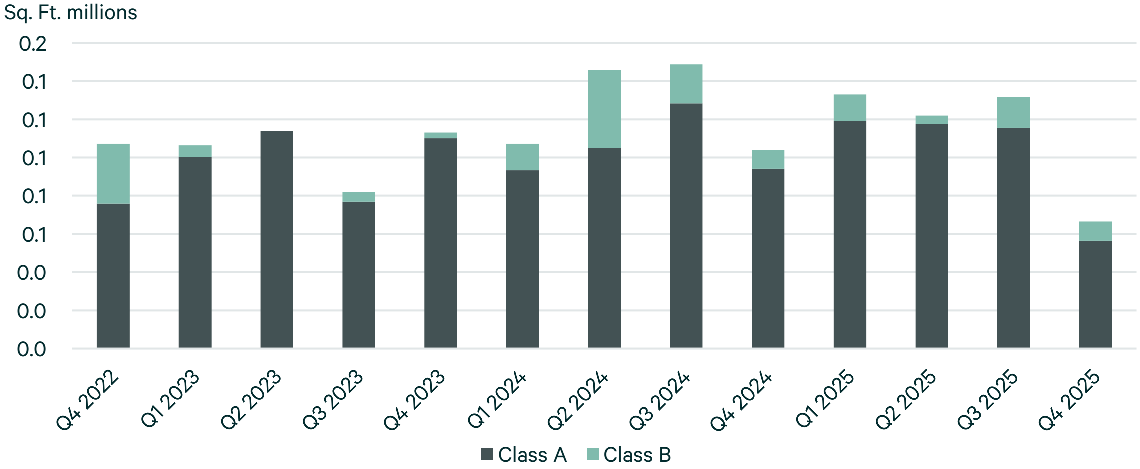
Compared to the three-year quarterly average, Q4 activity fell short by 41.7%, totaling 47,496 sq. ft. below the 113,950 sq. ft. benchmark. Class A underperformed its historical average by 43.8%, while Class B came in 26.1% below its typical pace.

FIGURE 6: Leasing by Submarket – 1,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – 1,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Sq. Ft. Leased	Transaction Type	Submarket
14,994	New Lease	Downtown (CBD)
8,061	Renewal	Downtown (CBD)
5,483	Renewal	Downtown (CBD)
4,526	New Lease	Kapiolani
4,194	New Lease	West Honolulu
2,986	New Lease	Kapiolani

Source: CBRE Research, Q4 2025

Market Statistics by Index

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
SUBURBAN										
Class A	2,889,320	19.2	20.2	18.9	1.3	4.07	(21,875)	(33,493)	0	0
Class B	3,261,170	9.7	11.1	11.0	0.1	3.52	1,667	14,385	0	0
Total	**6,150,490**	**14.1**	**15.4**	**14.7**	**0.7**	**3.87**	**(20,208)**	**(19,108)**	**0**	**0**

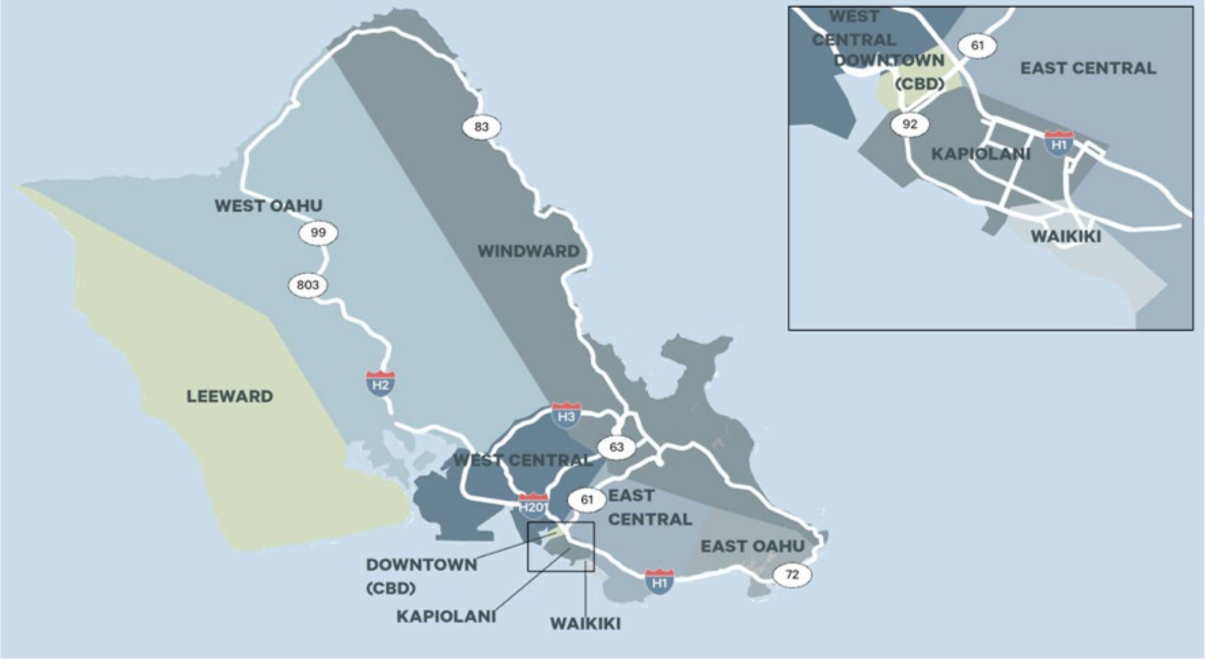
	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
DOWNTOWN										
Class A	4,464,892	7.7	9.6	9.0	0.6	3.32	(16,546)	(23,852)	0	0
Class B	874,483	16.0	16.1	15.8	0.3	2.64	(3,202)	(22,892)	0	0
Total	**5,339,375**	**9.1**	**10.7**	**10.1**	**0.5**	**3.12**	**(19,748)**	**(46,744)**	**0**	**0**

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
METRO										
Class A	7,354,212	12.2	13.8	12.9	0.9	3.79	(38,421)	(57,345)	0	0
Class B	4,135,653	11.0	12.2	12.0	0.2	3.27	(1,535)	(8,507)	0	0
Total	**11,489,865**	**11.8**	**13.2**	**12.6**	**0.6**	**3.61**	**(39,956)**	**(65,852)**	**0**	**0**

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central Oahu	339,042	11.7	12.3	11.8	0.5	3.17	(163)	2,918	0	0
Downtown (CBD)	5,339,375	9.1	10.7	10.1	0.5	3.12	(19,748)	(46,744)	0	0
East Honolulu	106,224	9.2	11.8	11.8	0.0	1.45	474	(932)	0	0
East Oahu	160,528	6.2	9.3	9.3	0.0	3.79	(3,007)	(3,007)	0	0
Kapiolani	2,910,937	19.0	19.9	18.9	1.0	4.0	(20,240)	(46,271)	0	0
Waikiki	610,992	12.6	12.9	11.5	1.4	4.25	(7,177)	10,711	0	0
West Honolulu	1,390,076	6.4	8.7	8.5	0.2	3.32	6,307	13,910	0	0
West Oahu	414,570	21.3	22.5	22.5	0.0	4.09	2,648	4,244	0	0
Windward	218,121	2.0	2.0	1.9	0.1	3.46	950	(681)	0	0
Total	**11,489,865**	**11.8**	**13.2**	**12.6**	**0.6**	**3.61**	**(39,956)**	**(65,852)**	**0**	**0**

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the ”net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

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