

FIGURES | WAIKIKI URBAN RETAIL | 1H 2022

Waikiki Stays Status Quo



Note: Arrows indicate change from previous quarter.

Visitors return in large numbers

- A total of 4,402,151 visitors arrived in Hawaii through June 2022 YTD, compared to 2,751,849 visitors during the same period in 2021

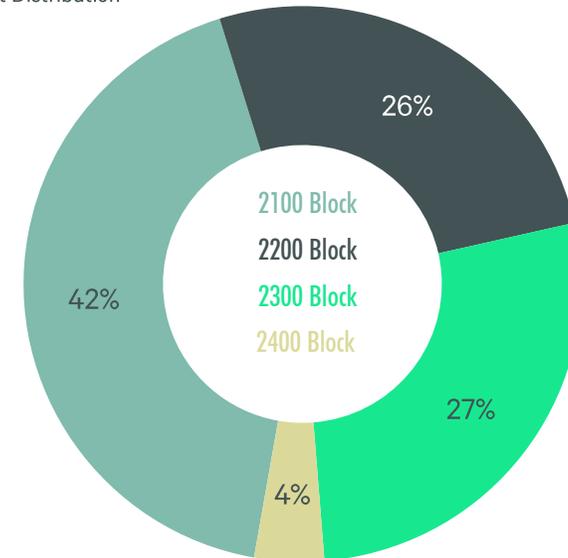
Vacancy Rate increases while Asking Rates decline

- The vacancy rate in Waikiki remained relatively unchanged compared to 2H 2021, with only two new smaller spaces being vacated this year

Net Absorption continues to decline to end 2021

- Net absorption has been minimal this year with no new tenants moving in and only two small tenants giving back space

FIGURE 1: Hawaii Retail Market Distribution



Source: CBRE Research, 1H 2022

Market Overview

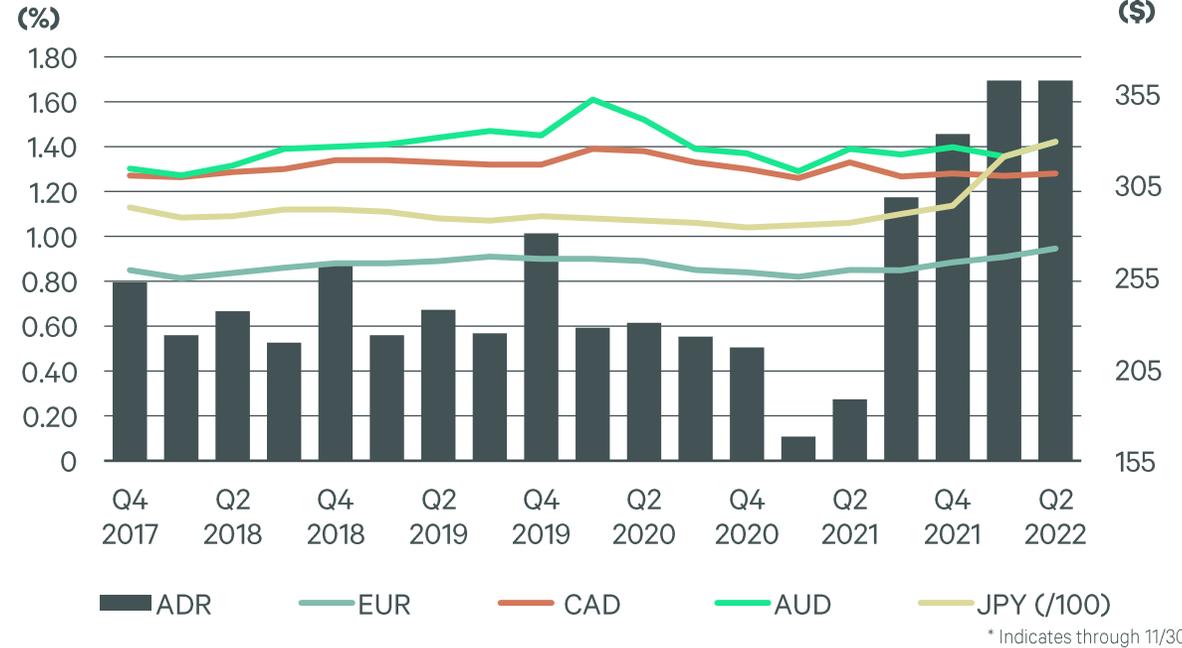
Although store closures in the first half of 2022 were not as dramatic as the second half of 2020, retailers on Kalakaua Avenue continued to see the effects of COVID-19 as visitor arrivals have yet to return to pre-pandemic levels. Economic conditions have changed considerably from just a few months ago. Persistently high inflation, sparked by supply-demand imbalances and Russia’s invasion of Ukraine, has greatly impacted conditions and is beginning to impact retailer’s bottom line.

Despite the increased cost of travel, visitors returned to Oahu at the highest rate we’ve seen since the start of the pandemic. There were 2,260,353 total visitors in Oahu in the first half of 2022, up from 1.32 million (or 71.3%) during the same time frame in 2021. Total expenditure nearly doubled from the same time last year, increasing from \$2.2M across Oahu in the first half of 2021 to \$4.0M in the first half of 2022, an 82.7% increase.

The Average Daily Rate has also continued to increase across the State, increasing from \$329 at the end of 2021 to \$364 at the end of 1H 2022. ADR on Oahu increased from \$225 in 2H 2021 to \$252 in 1H 2022. International Tourism has seen positive momentum in the first half of 2022, with a 31.2% recovery with visitors arriving from Japan, the highest number since the onset of the pandemic. 12 more flights from Japan were added in June and more are expected to be added in the coming months to meet demand. In the absence of the Asian tourist market, the void has been largely filled by travelers from US cities, taking advantage of travel package deals. While their presence boosts hotel room occupancy, spending habits are dramatically different. Whilst one type of traveler seeks a luxury Hawaii experience, another searches for bargains on a tight budget, that could be tightening even more due to inflation.

Waikiki remained relatively unchanged between the second half of 2021 and the first half of 2022. Gross Asking Rates remained flat between \$20.96 low to \$29.72 high on average and the vacancy rate remained flat at 20.1%. Only two new stores opened in the first half of the year, both in International Market Place. Land and Sea and Uncle’s Poke.

FIGURE 2: Foreign Currency Compared to US\$ and Average Daily Rates (ADR)



Block	Low Net Lease Rate (\$/SF/Mo.)	High Net Lease Rate (\$/SF/Mo.)	Operating Expenses (\$/SF/Mo.)	Vacancy (%)
2100 Block Mauka – Kalakaua Ave	17.54	22.63	2.12	16.8
2100 Block Makai – Kalakaua Ave	11.17	19.52	2.90	16.9
2200 Block Mauka – Kalakaua Ave	21.00	27.50	2.30	17.9
2200 Block Makai – Kalakaua Ave	8.00	35.00	3.00	0
2300 Block Mauka – Kalakaua Ave	19.64	32.13	1.57	17.2
2300 Block Makai – Kalakaua Ave	15.50	31.88	2.31	48.1
2400 Block Mauka – Kalakaua Ave	25.00	28.00	1.10	16.9

Vacancy & Lease Rates

Vacancy decreased 10 basis points (bps) from 20.1 in H2 2021 to 20.1% in H1 2022. Two new stores opened in the first half of the year, both in International Market Place. Land and Sea opened in the former Philip Richard space and Uncle’s Poke opened in the former Godiva space. With little activity in the first half of the year, asking rates have remained relatively stable since pre-pandemic times.

The average Gross Asking Rates across all of Waikiki remained flat at \$25.34 per sq. ft. per month in 1H 2022, a change in trends from recent quarters where lease rates have been up and down as we’ve seen significant variance based on the availability of space in specific retail centers. With inflation on the rise, many retailers are concerned that potential travelers may postpone vacation plans as they have less discretionary income to spend on travel. Many struggling retailers have stayed in business by setting up payment plans and using percentage rent during the pandemic and may have to continue to do so if Macroeconomic headwinds continue to impact spending from travelers and locals.

Economy & Employment

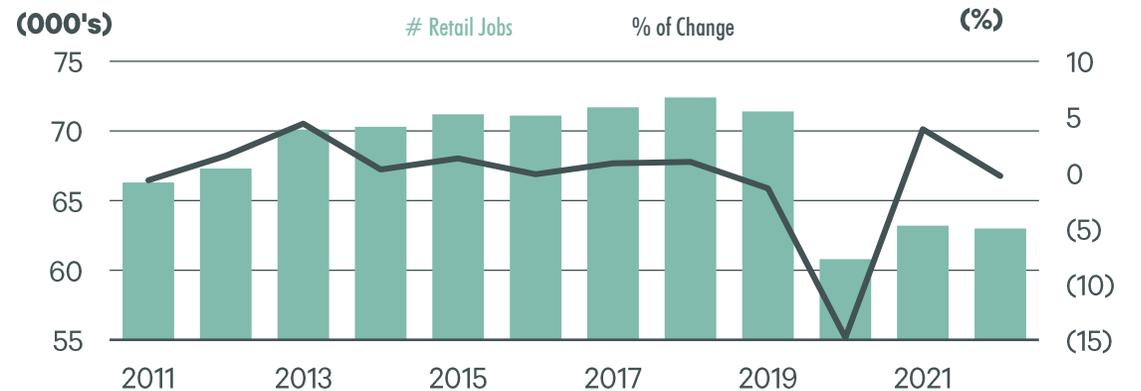
The unemployment rate fell from 4.3% at the end of December 2021 to 4.1% at the end of May 2022. Retail related employment rebounded slightly from the lows in 2020; however, economic conditions have changed considerably from just a few months ago. Persistently high inflation that is increasingly being driven by higher food and energy prices, sparked by supply-demand imbalances and Russia’s invasion of Ukraine, has greatly impacted conditions and cause retailers to reconsider any plans of potential expansion.

FIGURE 3: Gross Asking Rates & Vacancy



Source: CBRE Research, Q2 2022

FIGURE 4: Retail Job Growth



Source: CBRE Research, Q2 2022

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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