Hawaii Retail: Awaiting the Recovery of International Tourism

▼ 6.2%
Vacancy Rate

▼ 17,354
SF Net Absorption

▼ $4.71
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Vacancy rate drops slightly for the first quarter of the year

– Hawaii's retail vacancy rate drops slightly from 6.3% for Q4 2022 to 6.2% for Q1 2023

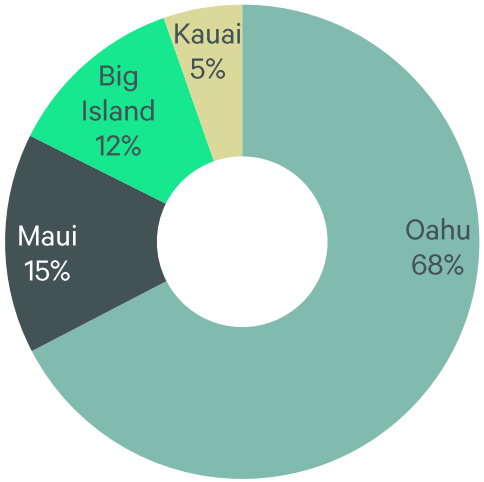
Net absorption decreases compared to prior quarter while availability decreases across the board

– Statewide net absorption decreased from 40,984 SF in Q4 2022 to 17,354 SF of net absorption in Q1 2023. Year over year comparison by centers indicates drops of availability across the board

Average asking lease rents remain the same while CAM decreases slightly

– The weighted average asking lease rents across Hawaii remain the same at $4.71 NNN for Q1 2023 compared to prior quarter. The average CAM also decreased from $1.24 to $1.20/SF.

FIGURE 1: Hawaii Retail Market Distribution



Source: CBRE Research, Q1 2023

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Market Overview

Net absorption decreased to 17,354 SF from Q4 2022 to Q1 2023 and the vacancy rate dropped slightly from 6.3% to 6.2%, while average asking rates remained the same at $4.71 NNN. Categories with positive net absorptions were Community/Neighborhood Centers, Specialty Centers, and Strip Centers, with net absorptions of 12,423 SF, 14,087 SF, and 9,070 SF, respectively.

The following chart compares year over year 2023 availabilities to that of 2019 by centers:

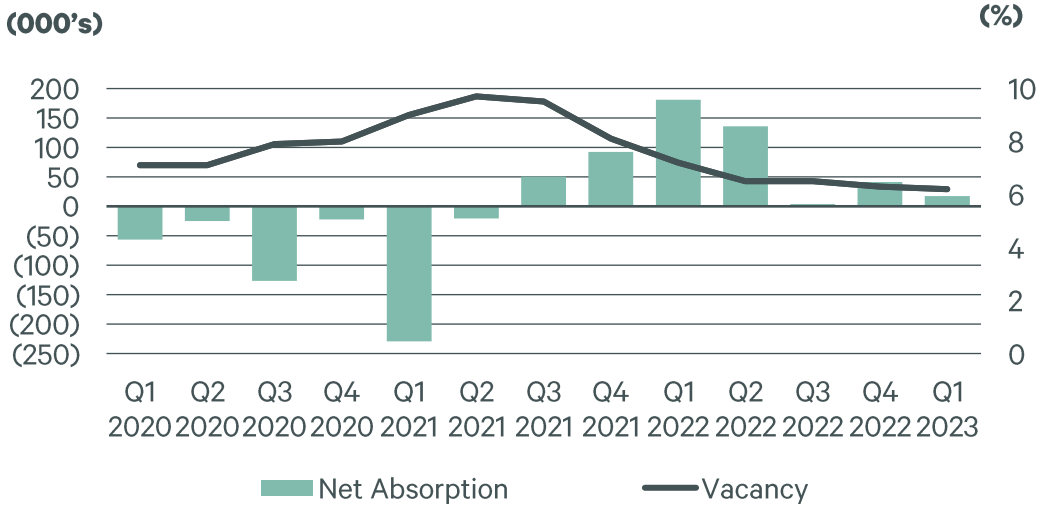
	Q1 2019	Q1 2023
Community/Neighborhood Centers	5.4%	8.9%
Regional Malls	2.4%	3.4%,
Specialty Centers	8.2%	6.3%
Strip Centers	6.4%	8.4%
Power Centers	15.3%	7.7%,
Outlet Centers	5.3%	0%

Of all the categories, Specialty Centers most directly reflect the tourist market with a 6.3% availability rate in Q1 2023 compared to an 8.2% availability rate in Q1 2019, and a statewide availability rate of 6.9%. Rents for this category was at $11.34 NNN in Q1 2019 compared to $10.37 NNN this quarter, and a statewide average of $4.71.

“Hawaii outlook continues to see economic slowing but no recession. While international tourism will continue to recover, domestic travel will soften as the US economy contracts later this year. Combined with high interest rates and prices, this will cause local growth to weaken through the first half of 2024.” UHERO (The Economic Research Organization at the University of Hawaii)

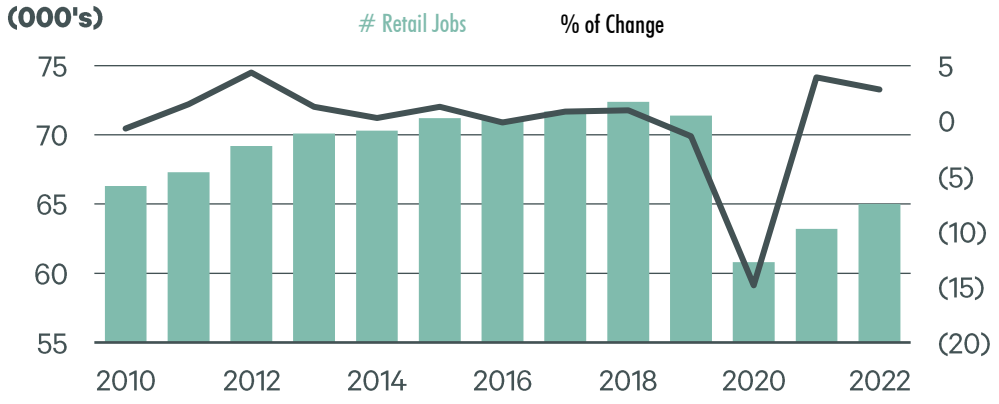
Tourism figures are forecasted at 9,863,000 visitors, 88,530,000 visitor days, and $19,653,000,000 in visitor expenditures for 2023. in comparison year end 2022 figures at 9,248,000 visitors, 85,265,000 visitor days, and $19,291,000,000 in visitor expenditures. This surpasses visitor expenditures of $17,716,000,000 of 2019.

FIGURE 2: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2023

FIGURE 3: Retail Job Growth



Source: DBEDT, 2023

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FIGURE 4: Market Statistics

Retail Centers	Total Centers	Gross Leasable Area (SF)	Total Vacant Area (SF)	Total Vacancy Rate (%)	Avg. Operating Expenses ($/SF/Mo)	Low Net Asking Rent** ($/SF/Mo)	High Net Asking Rent** ($/SF/Mo)	Average Net Asking Rent** ($/SF/Mo)	Q4 Net Absorption (SF)
Community / Neighborhood Centers	77	9,713,060	784,206	8.1%	$0.97	$3.29	$3.82	$3.56	12,423
Regional Malls	8	5,735,155	145,584	2.5%	$2.19	$7.30	$7.99	$7.64	(16,886)
Specialty Centers	23	2,310,806	143,211	6.2%	$2.08	$9.14	$11.59	$10.37	14,087
Strip Centers	17	904,194	71,225	7.9%	$1.07	$3.20	$4.56	$3.88	9,070
Power Centers	7	2,155,838	164,648	7.6%	$0.75	$2.49	$2.90	$2.69	(1,340)
Outlet Centers	1	209,280	0	0.0%		-	-	-	0
Islands									
Oahu	80	14,167,360	617,211	4.4%	$1.33	$6.07	$7.12	$6.60	7,551
Maui	24	3,155,660	348,799	11.1%	$1.07	$3.31	$3.95	$3.63	14,954
Big Island	20	2,577,294	247,926	9.6%	$1.20	$2.93	$3.37	$3.15	(3,264)
Kauai	9	1,128,019	94,938	8.4%	$0.88	$2.88	$3.46	$3.17	(1,887)
State of Hawaii	**131**	**21,028,333**	**1,308,874**	**6.2%**	**$1.20**	**$4.32**	**$5.09**	**$4.71**	**17,354**

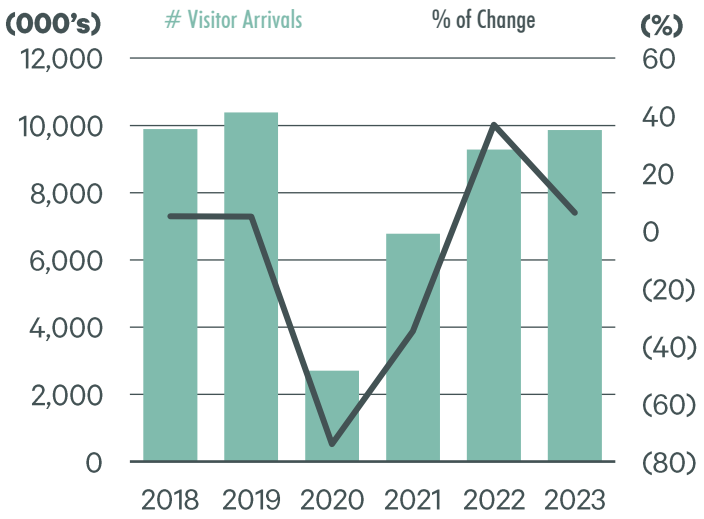
Source: CBRE Research, Q1 2023
*State of Hawaii lease rates are a weighted average number utilizing the Retail Center data. Lease rates have been adjusted by calculating a weighted average number based on vacant area, which may affect historical data. Previously untracked centers were added, which may affect historical data. Rates for Outlet centers are straight averages due to historically low vacancy.

FIGURE 5: Historical Tourism Activity

Measure	2019	2020	2021	2022	2023*
Visitor Arrivals (thousands)	10,386	2,708	6,777	9,248	9,863
Visitor Days (thousands)	90,360	28,659	65,343	85,265	88,530
Visitor Expenditures (millions of $)	17,716	4,669	12,996	19,291	19,653

Source: DBEDT, 2022
*Forecasted using UHERO estimates for 2023

FIGURE 6: Historical Visitor Arrivals



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Lease Rates

The weighted average asking lease rents across Hawaii remain the same at $4.71 NNN compared to Q4 2022. The average CAM also decreased from $1.24 to $1.20/SF. Average rents on the neighbor islands went from a range of $2.99 – $3.62 NNN from the previous quarter to a range of $3.15 – $3.63 NNN for this quarter. Oahu averaged significantly higher at $6.60, due to much of the inventory in premium areas such as Ala Moana Center (Regional Mall) and Waikiki (Specialty Centers). By categories rents decreased from $8.56 NNN Q4 2022 to $7.30 NNN Q1 2023 for Regional Malls. Rents increased from $3.77 NNN to $3.88 NNN for Strip Centers, from $3.47 NNN to $3.56 NNN for Community/Neighborhood Centers, from $9.74 NNN to $10.37 NNN for Specialty Centers, and from $2.66 to $2.69 for Power Centers.

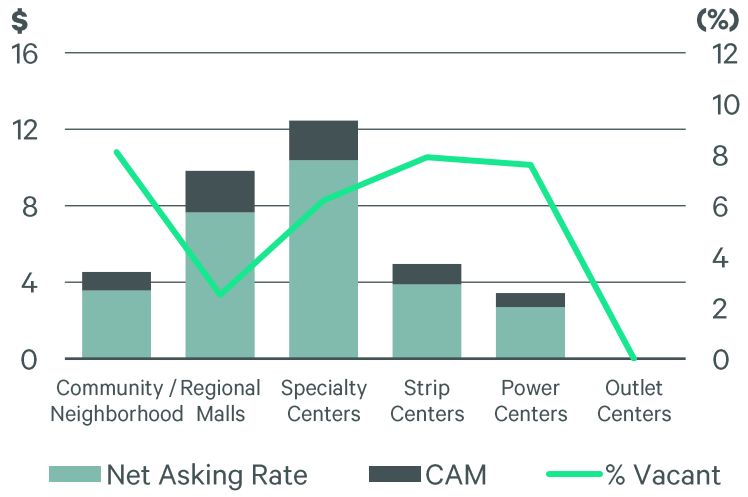
Net Absorption

Statewide net absorption decreased from 40,984 SF in Q4 2022 to 17,354 SF of net absorption this quarter. Most of the net absorption took place on Maui at 14,954 SF for Q1 2023. Categories with positive net absorptions were Community/Neighborhood Centers, Specialty Centers, and Strip Centers, with net absorptions of 12,423 SF, 14,087 SF, and 9,070 SF, respectively.

Availability & Vacancy

Hawaii's retail vacancy rate dropped slightly from 6.3% for Q4 2022 to 6.2% for Q1 2023. Oahu remained at 4.4%, while Maui decreased from 11.5% in Q4 2022 to 11.1% in Q1 2023. Kauai increased from 8.2% to 8.4%, and the Big Island increased from 9.5% to 9.6%. Year over year comparison by centers indicates drops of availability across the board, with Community/Neighborhood Centers decreasing from 9.2% Q1 2022 to 8.9% Q1 2023, Regional Malls from 3.8% to 3.4%, Specialty Centers from 8.9% to 6.3%, Strip Centers from 8.9% to 8.4%, Power Centers from 10.5% to 7.7%, and Outlet Centers from 2% to fully leased.

FIGURE 7: CAM & Asking Lease Rates



Source: CBRE Research, Q1 2023

FIGURE 8: Quarterly Net Absorption

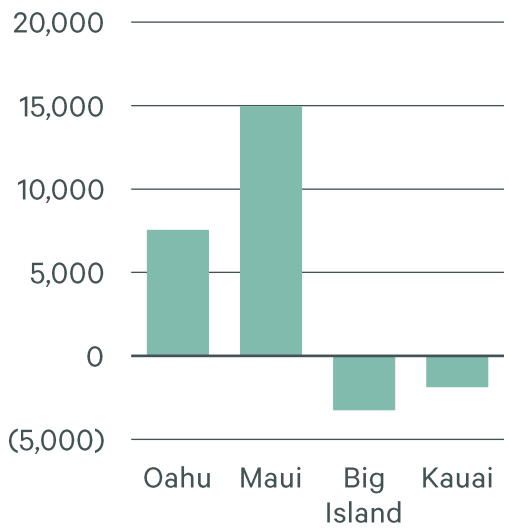
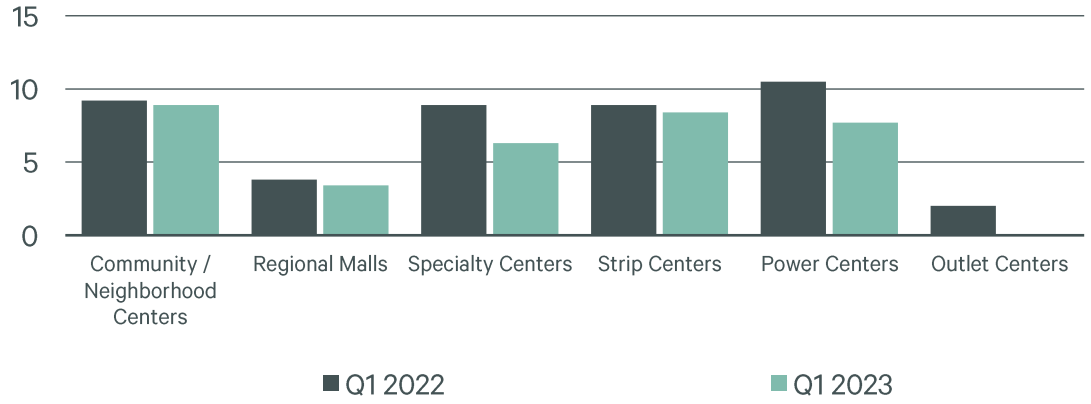


FIGURE 9: Year over Year Availability Rate



Source: CBRE Research, Q1 2023

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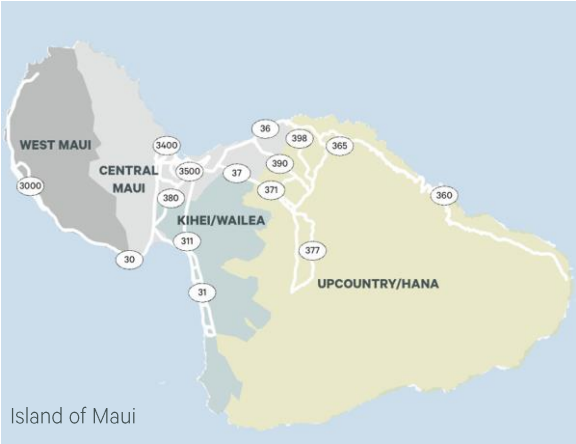
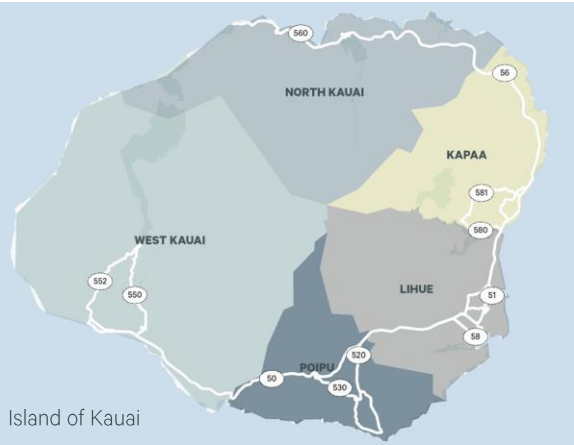
Market Area Overview

Island of Oahu



Island of Maui

Big Island



Island of Kauai

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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