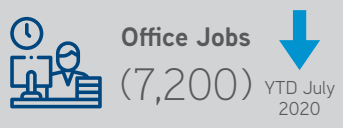
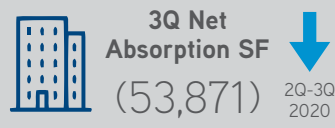


OFFICE MARKET

Third Quarter 2020



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Vacancy Rises as COVID-19 Begins to Impact Office Sector

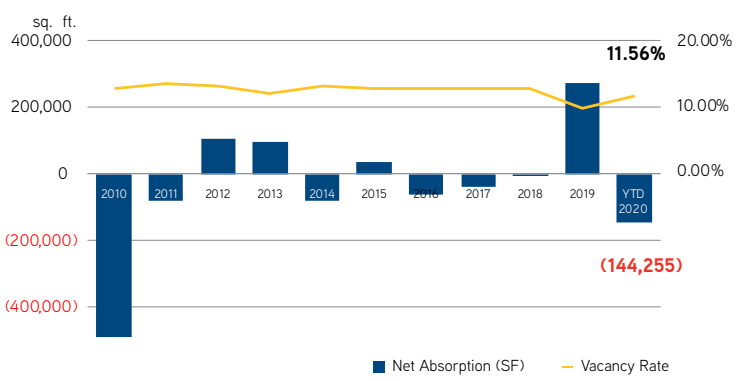
Mike Hamasu Director of Research | Hawaii

As we enter the seventh month of the COVID-19 pandemic, Oahu's economy remains challenged. Shuttered businesses, rising unemployment, and empty storefronts substantiate COVID-19's devastating impact on the business environment. Oahu's unemployment rate, which set new record highs in April and May, remained elevated through July with a rate of 11.1%, the fourth highest in the country. At no other time in recorded history has Oahu's unemployment exceeded 7%.

"As the market changes direction, strategic lease planning becomes vitally important."

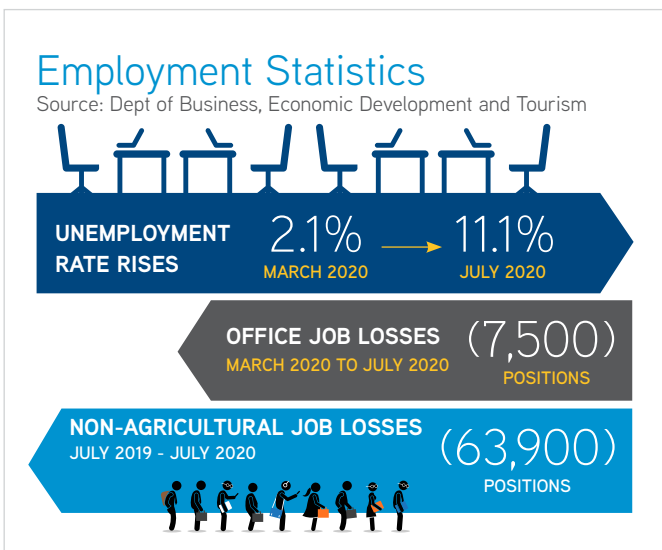
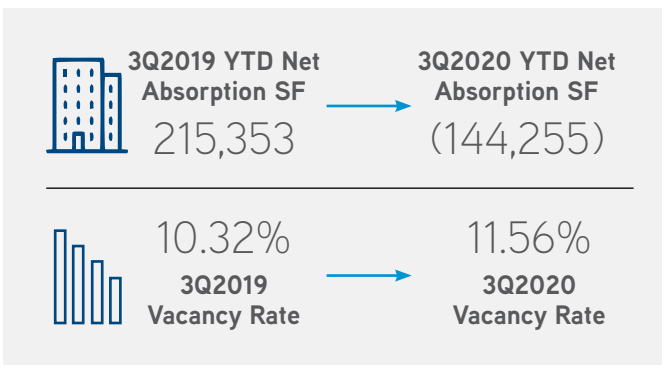
Karen Birkett (S), Vice President

Oahu Office Net Absorption vs. Vacancy Rate



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Oahu's office market posted an occupancy loss of 53,871 square feet during the third quarter of 2020, which contributed to a year-to-date total of 144,255 square feet of negative net absorption. Oahu's office vacancy rate rose to 11.56%, its highest level since 4Q2018.



Third Quarter 2020 - Oahu Office Market Statistics

OFFICE - BY SUBMARKET AREA

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	3Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING BASE RENT (PSF/MO)	HIGH AVG. ASKING BASE RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
AIRPORT / MAPUNAPUNA	4	679,916	61,753	9.08%	961	21,552	\$1.61	\$1.66	\$1.17
CENTRAL BUSINESS DISTRICT	51	6,752,925	879,014	13.02%	23,323	1,551	\$1.41	\$1.55	\$1.33
EAST OAHU	15	468,032	15,996	3.42%	(6,746)	(9,760)	\$2.28	\$2.37	\$1.54
KAKAAKO / KAPIOLANI / KING	41	3,618,990	412,229	11.39%	(23,361)	(74,707)	\$1.53	\$1.71	\$1.57
KALIHI / IWILEI / KAPALAMA	12	883,227	116,513	13.19%	(39,512)	(52,402)	\$1.44	\$1.56	\$1.12
LEEWARD OAHU	14	719,228	64,697	9.00%	(3,888)	(33,917)	\$2.13	\$2.39	\$1.41
WAIKIKI	11	711,875	50,275	7.06%	(1,197)	4,890	\$1.97	\$2.34	\$1.72
WINDWARD OAHU	8	284,401	31,161	10.96%	(3,451)	(1,462)	\$2.10	\$2.11	\$1.64
TOTALS	156	14,118,594	1,631,638	11.56%	(53,871)	(144,255)	\$1.68	\$1.83	\$1.44

OFFICE - BY BUILDING CLASS

	TOTAL NUMBER OF BUILDINGS	TOTAL SQUARE FEET	VACANT SPACE (SF)	VACANCY RATE	3Q NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	LOW AVG. ASKING BASE RENT (PSF/MO)	HIGH AVG. ASKING BASE RENT (PSF/MO)	AVG. OPERATING EXPENSE (PSF/MO)
CLASS A	13	4,782,770	538,765	11.26%	28,941	48,162	\$1.51	\$1.68	\$1.45
CLASS B	65	6,499,426	702,499	10.81%	(68,994)	(113,499)	\$1.83	\$2.03	\$1.52
CLASS C	78	2,836,398	390,374	13.76%	(13,818)	(78,918)	\$1.55	\$1.66	\$1.34
TOTALS	156	14,118,594	1,631,638	11.56%	(53,871)	(144,255)	\$1.68	\$1.83	\$1.44

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TERMS AND DEFINITIONS

- INVENTORY - Office buildings greater than 20,000 square feet located on the island of Oahu. Owner-occupied, government, and medical buildings are not included.
- TOTAL SQUARE FEET - All rentable office space exclusive of common areas, elevator shafts and fire escapes.
- VACANT SPACE - Office space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- VACANCY RATE - The ratio of vacant office space divided by the total office inventory square footage.
- NET ABSORPTION - The net change in occupied space over a period of time. Year-to-date net absorption is the difference in occupied space between the end of the previous year and the current quarter.
- AVERAGE ASKING RENT - The ratio of aggregate landlord asking rents divided by the total available space within a specific geography or building class.
- AVERAGE OPERATING EXPENSE - The average rate of tenant expenses such as building utilities, management fees, building maintenance, real property taxes and insurance within a specific geography or building class.
- BASE RENTS - Rents exclusive of building operating expenses.
- FULL SERVICE GROSS RENTS - Base rents plus building operating expense. This is viewed as the tenant's total occupancy cost per square foot.
- BUILDING CLASSIFICATIONS - Adhering to the BOMA guidelines, Class A properties are buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, exceptional accessibility and a definite market presence. Class B buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate. Class C buildings are competing for tenants requiring functional space at rents below the average for the area.

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