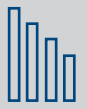


# INDUSTRIAL MARKET

## Third Quarter 2020

Accelerating success.



**Vacancy Rate** ↑  
2.82%  
2Q-3Q 2020



**3Q Net Absorption SF** ↓  
(392,704)  
2Q-3Q 2020



**Direct Wtd Avg Asking Rent psf/mo** ↑  
\$1.27  
2Q-3Q 2020

**Avg Operating Expenses psf/mo** ↑  
\$0.42  
2Q-3Q 2020

## Newly Built Projects Push Vacancy to Seven Year High

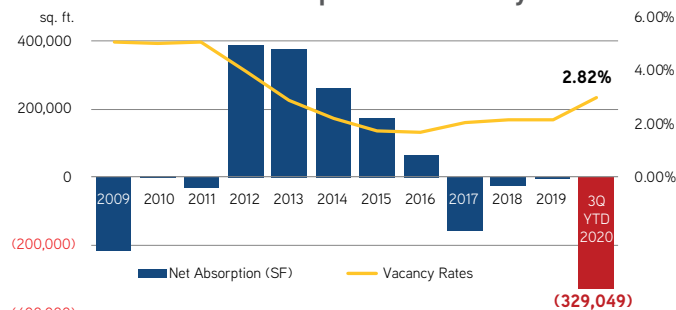
Mike Hamasu Director of Research | Hawaii

As COVID-19 cases surged in the third quarter, Oahu's businesses endured a second shutdown. While the industrial market initially fared better than retail and hotels, by the third quarter, the pandemic reached all employment sectors. Thousands of jobs were lost, and hundreds of businesses closed.

Oahu's industrial market reversed direction during the third quarter. While occupancy growth was positive in the first half of 2020, a total of 392,704 square feet of negative net absorption was recorded in the third quarter, resulting in a year-to-date loss of 329,049 square feet of occupancy.

This change in the market is mostly attributed to the completion of Thomas Sorensen's 226,800 square foot development at 91-150 Hanua Street and Nan Inc.'s 231,836 square foot project located at 91-150 Malakole Street project, totaling more than 458,000 square feet of new space. Of this, 65,000 square feet was pre-leased as of the date of this report, leaving roughly 395,000 square feet to be leased.

### Oahu Industrial Net Absorption vs. Vacancy Rate



*"Despite the Class A industrial product delivered to market this quarter, weakening economic indicators lead us to forecast a vacancy increase through the new year."*

Michael Gomes (S), Associate



**2QYTD 2020 Net Absorption SF**  
63,655

**3QYTD 2020 Net Absorption SF**  
(329,049)



**75,700**  
March 2020 Industrial Job Counts

**64,700**  
August 2020 Industrial Job Counts

### Construction Statistics

Source: Dept of Business, Economic Development and Tourism and Dept of Taxation

**CONSTRUCTION PERMIT VOLUME**

**(8%)**

AUGUST YTD - 2019 VS 2020

**JUNE YTD WHOLESALE SALES**

**(5.5%)**

JUNE YTD 2019 VS 2020

**JUNE YTD CONTRACTING SALES**

**18.6%**

JUNE YTD 2019 VS 2020



# THIRD QUARTER 2020 Oahu Industrial Market Statistics

## INDUSTRIAL MARKET - BY SUBMARKET AREA

	NO. OF BUILDINGS	BUILDING AREA (SF)	TENURE*	AVAILABLE SPACE (SF)	3Q2020 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	VACANCY RATE	DIRECT WTD. AVG. NET ASKING RENT (NNN) (PSF/MO)**	AVG. NET OP. EXP. (PSF/MO)
<b>HONOLULU</b>									
Iwilei	99	2,381,935	Fee Simple	112,568	3,861	(66,812)	4.73%	\$1.31	\$0.65
Kalihi	710	9,717,125	Fee Simple	280,547	42,438	61,603	2.89%	\$1.02	\$0.51
Sand Island	74	663,005	Leasehold	0	0	4,000	0.00%	\$1.45	\$0.33
Mapunapuna	107	4,214,301	Leasehold	25,760	(16,960)	(25,760)	0.61%	\$1.29	\$0.48
Airport	125	4,641,933	Fee Simple	12,094	(14)	28,568	0.26%	\$1.21	\$0.80
<b>Total Honolulu</b>	<b>1,115</b>	<b>21,618,299</b>		<b>430,969</b>	<b>29,325</b>	<b>1,599</b>	<b>1.99%</b>	<b>\$1.11</b>	<b>\$0.56</b>
<b>CENTRAL OAHU</b>									
Bougainville	20	806,460	Leasehold	0	0	21,794	0.00%	\$1.05	\$0.25
Halawa	84	2,719,361	Leasehold	58,902	(14,305)	(22,920)	2.17%	\$1.33	\$0.39
Pearl City/Aiea	45	1,660,582	Fee Simple	26,695	4,339	(6,445)	1.61%	\$1.19	\$0.53
Pearl City Industrial Park****	32	762,292	Fee Simple	4,060	(1,640)	(4,060)	0.53%	\$1.35	\$0.41
Gentry Business Park	67	1,778,759	Fee Simple	35,667	1,478	(18,117)	2.01%	\$1.24	\$0.51
Milltown	37	443,120	Fee Simple	1,680	(1,680)	14,569	0.38%	\$1.35	\$0.58
Waipahu	129	2,731,322	Fee Simple	41,701	(19,430)	49,049	1.53%	\$1.21	\$0.36
<b>Total Central Oahu</b>	<b>382</b>	<b>10,901,896</b>		<b>168,705</b>	<b>(31,238)</b>	<b>33,870</b>	<b>1.55%</b>	<b>\$1.26</b>	<b>\$0.42</b>
<b>WEST OAHU</b>									
Campbell Industrial Park	122	5,185,560	Fee Simple	246,353	(226,235)	(186,877)	4.75%	\$1.39	\$0.26
Kapolei Business Park	53	1,574,865	Fee Simple	98,663	11,207	(13,704)	6.26%	\$1.29	\$0.55
Malakole Industrial Park	20	428,836	Fee Simple	169,562	(169,562)	(169,562)	39.54%	\$1.50	\$0.29
Kenai Industrial Park	12	90,680	Fee Simple	0	0	0	0.00%	\$1.40	\$0.35
Kalaehoa Industrial	7	50,297	Fee Simple	2,400	(1,640)	(2,400)	4.77%	\$1.30	\$0.12
<b>Total Kapolei</b>	<b>214</b>	<b>7,330,238</b>		<b>516,978</b>	<b>(386,230)</b>	<b>(372,543)</b>	<b>7.05%</b>	<b>\$1.41</b>	<b>\$0.36</b>
<b>WINDWARD OAHU</b>									
Kapaa Industrial ****	62	593,128	Fee Simple	34,110	(5,700)	998	5.75%	\$1.40	\$0.30
Kaneohe	42	611,076	Fee Simple	5,409	1,139	7,027	0.89%	\$1.20	\$0.28
<b>Total Windward</b>	<b>104</b>	<b>1,204,204</b>		<b>39,519</b>	<b>(4,561)</b>	<b>8,025</b>	<b>3.28%</b>	<b>\$1.37</b>	<b>\$0.30</b>
<b>OAHU TOTALS</b>	<b>1,815</b>	<b>41,054,637</b>		<b>1,156,171</b>	<b>(392,704)</b>	<b>(329,049)</b>	<b>2.82%</b>	<b>\$1.27</b>	<b>\$0.42</b>

\*Leasehold tenure associated with industrial parks with 75% or more of land under ground lease

\*\* Weighted average rents are calculated on I-1 and I-2 zoned properties. IMX zoned properties, which can be used for retail have been excluded from this rent calculation.

\*\*\* Pearl City Industrial Park is a submarket associated with Pearl City/Aiea trade area

\*\*\*\* Only gross rents are quoted.

©2020 Colliers International Research & Consulting. All rights reserved.

### TERMS AND DEFINITIONS

- > INVENTORY - Industrial buildings greater than 2,500 square feet located on the island of Oahu, inclusive of owner user, and single tenant buildings.
- > TOTAL SQUARE FEET - All rentable industrial space exclusive of common areas, yard space and fire escapes.
- > VACANT SPACE - Industrial space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- > VACANCY RATE - The ratio of vacant industrial space divided by the total industrial 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.
- > DIRECT WEIGHTED AVERAGE ASKING RENT (NNN) - The ratio of aggregate landlord asking rents divided by the total available space within a specific geography.
- > AVERAGE OPERATING NET EXPENSE - The average rate of tenant expenses such as building utilities, management fees, building maintenance, real property taxes and insurance within a specific geography.
- > NNN RENTS - Rents exclusive of building operating expenses.

### EXECUTIVE MANAGEMENT

Sarah Lee Morihara (B)  
President/Managing Director  
+1 808 523 9706  
sarah.morihara@colliers.com

Andrew D. Friedlander (B) SIOR  
Principal Broker  
+1 808 523 9797  
andrew.friedlander@colliers.com

### CONSULTING & RESEARCH

Mike Y. Hamasu  
Director of Consulting & Research  
+1 808 523 9792  
mike.hamasu@colliers.com

Nanette Vinton (S)  
Research Consultant / Project Manager  
+1 808 523 9764  
nanette.vinton@colliers.com

### INDUSTRIAL SERVICES

Scott L. Mitchell (B) SIOR  
Executive Vice President  
+1 808 523 9702  
scott.mitchell@colliers.com

Guy V. Kidder (B) CCIM SIOR  
Senior Vice President  
+1 808 523 9735  
guy.kidder@colliers.com

William "Bill" Froelich (B) JD CCIM SIOR  
Senior Vice President  
+1 808 523 9711  
william.froelich@colliers.com

Ronald C. Ward (S)  
Vice President  
+1 808 523 9747  
ronald.ward@colliers.com

Alika Cosner (S)  
Vice President  
+1 808 523 8339  
alika.cosner@colliers.com

Michael Gomes (S)  
Associate  
+1 808 492 5515  
michael.gomes@colliers.com



Accelerating success.

Colliers International | Hawaii

220 S. King Street, Suite 1800 | Honolulu, Hawaii 96813

+1 808 524 2666

colliers.com/hawaii