

# RETAIL MARKET

## Second Quarter 2018

Accelerating success.

# Market Summary

Mike Hamasu Director of Research | Hawaii

- > At mid-year 2018, the Oahu retail market posted a healthy gain of 222,919 square feet of occupancy.
- > Oahu's vacancy rate dropped this quarter to 6.09% from the peak in 2016 of 8.36%.
- > The majority of these tenancy gains occurred at regional malls, with Ala Moana Center and Ka Makana Ali'i generating a combined 172,180 square feet of net absorption for the first six months of this year.
- > Tourism expenditures for the first quarter of 2018 increased to \$2.013 billion, a robust gain of 8.1% over 1Q2017 spending levels.
- > Retail sales were quick to pick up the momentum, resulting in a record \$29.29 billion in sales for the past year (March 2017 to February 2018).
- > The Oahu retail average asking base rent rose to a record high of \$4.16 per square foot per month for a healthy gain of 4.0% over for the first half of the year.
- > Oahu's retail market may begin to see a change in direction in 2019, as retailers are finding it increasingly challenging to secure adequate store staffing. Additionally, competition for the limited pool of prospective employees is putting an upward pressure on wages.

### Market Indicators

Relative to previous quarter

2Q2018 vs.  
1Q2018

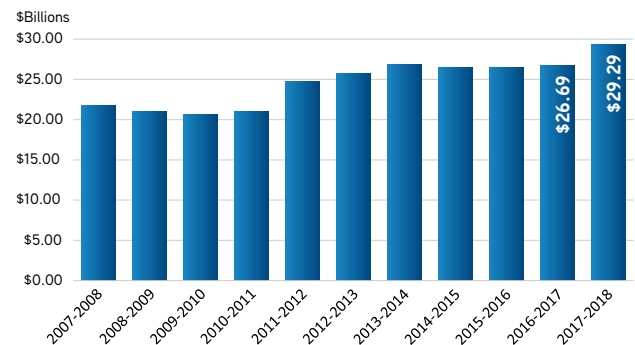
VACANCY	↓
YTD NET ABSORPTION	↑
CONSTRUCTION	↑
RENTAL RATE	↑

### Summary Statistics

2Q2018 Retail Market

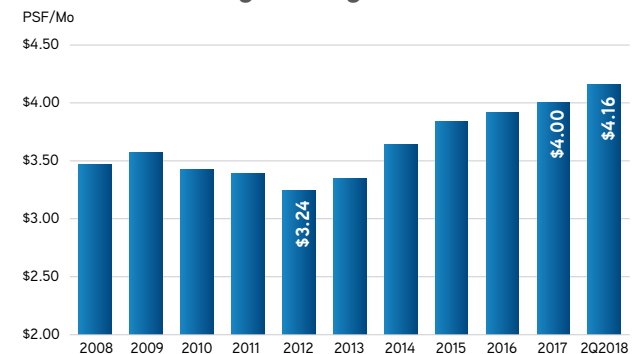
YTD Net Absorption	222,919 SF
Vacancy Rate	6.09%
Average Asking Rent Range	\$3.60 to \$4.61 psf/mo
Average Asking Rent NNN	\$4.16 psf/mo
Average Operating Exp.	\$1.34 psf/mo

### Oahu Retail Sales (March - February)



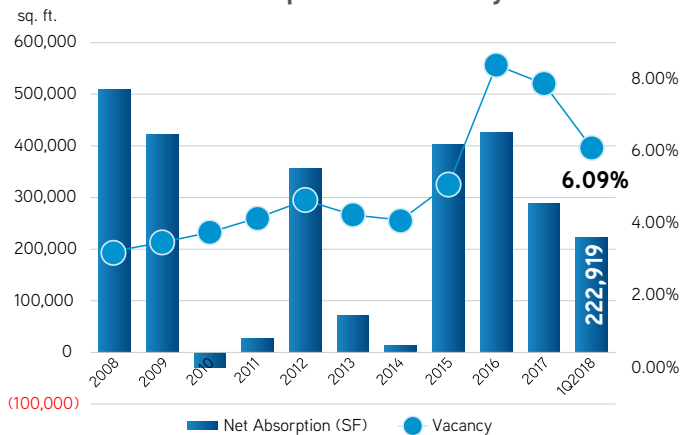
Source: DoTax

### Oahu Retail Average Asking Base Rent



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### Oahu Retail Net Absorption vs. Vacancy Rate



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## Second Quarter 2018 - Oahu Retail Market Statistics

### RETAIL MARKET INVENTORY - BY SUBMARKET AREA

	TOTAL INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG. LOW NNN ASKING RENTS (PSF/MO)	AVG. HIGH NNN ASKING RENTS (PSF/MO)	AVG. CAM EXPENSES (PSF/MO)
CENTRAL OAHU	889,235	26,746	3.01%	(3,031)	\$3.79	\$4.42	\$1.07
EAST OAHU	1,511,774	29,422	1.95%	(2,407)	\$5.00	\$6.28	\$1.51
HONOLULU*	4,741,464	183,268	3.87%	143,218	\$3.32	\$4.91	\$1.50
LEEWARD OAHU	4,407,948	465,566	10.56%	1,645	\$3.49	\$3.89	\$1.19
NORTH SHORE	198,125	3,041	1.53%	6,723	\$3.56	\$3.75	\$1.39
WAIANA E	342,060	38,367	11.22%	28,415	\$1.83	\$3.00	\$1.00
WAIKIKI	1,658,067	146,995	8.87%	(4,855)	\$9.48	\$18.98	\$2.61
WEST OAHU	1,721,637	81,283	4.72%	65,303	\$4.34	\$4.77	\$1.29
WINDWARD OAHU	1,621,750	65,600	4.05%	(12,092)	\$2.93	\$4.71	\$1.44
<b>TOTALS*</b>	<b>17,092,060</b>	<b>1,040,288</b>	<b>6.09%</b>	<b>222,919</b>	<b>\$3.60</b>	<b>\$4.61</b>	<b>\$1.34</b>

\*Islandwide total for average rents and CAM calculations exclude Waikiki and Ala Moana Center

### RETAIL MARKET INVENTORY - BY BUILDING CLASS

	TOTAL INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG. LOW NNN ASKING RENTS (PSF/MO)	AVG. HIGH NNN ASKING RENTS (PSF/MO)	AVG. CAM EXPENSES (PSF/MO)
COMMUNITY/POWER CENTER	3,269,784	323,808	9.90%	24,410	\$3.93	\$4.73	\$1.58
NEIGHBORHOOD	4,725,648	303,868	6.43%	44,686	\$3.70	\$4.40	\$2.62
REGIONAL*	5,682,175	157,749	2.78%	178,052	\$4.51	\$10.15	\$2.55
RESORT/SPECIALTY	1,829,264	155,425	8.50%	363	\$8.79	\$17.31	\$2.49
STRIP	1,585,189	99,438	6.27%	(24,592)	\$3.40	\$4.74	\$1.32
<b>TOTALS**</b>	<b>17,092,060</b>	<b>1,040,288</b>	<b>6.09%</b>	<b>222,919</b>	<b>\$3.60</b>	<b>\$4.61</b>	<b>\$1.34</b>

\* Includes Ala Moana Center in calculations

\*\*Islandwide total for average rents and CAM calculations exclude Waikiki and Ala Moana Center

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#### TERMS AND DEFINITIONS

- › TOTAL INVENTORY - Total rentable square footage in shopping centers greater than 20,000 square feet.
- › 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.
- › VACANT SPACE - Space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- › VACANCY RATE - The ratio of vacant space divided by the total inventory square footage.
- › AVERAGE OPERATING EXPENSE - The ratio of tenant expenses, such as building utilities, management fees, building maintenance, real property taxes and insurance, divided by the total available space within a specific geography or building class.
- › NNN "TRIPLE-NET" RENT - Rents paid to the landlord that do not include building operating expenses and additional taxes and fees.

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