

Market Summary

Mike Hamasu Director of Research | Hawaii

- Oahu's industrial market finally rallied after posting four consecutive quarters of negative net absorption between 1Q2017 and 1Q2018.
- The industrial market posted 69,911 square feet of positive absorption for 2Q2018. Vacancy rates, which had risen to 1.99% during the first quarter of 2018, declined to 1.82% at the end of June 2018.
- Both the University of Hawaii Economic Research Organization and the State Department of Business Economic Development and Tourism forecasted that the State's real gross domestic product will rise between 1.7% and 1.9% for 2018.
- Industrial revenues, which are a combination of wholesale distribution, contracting, production and manufacturing sales, established a record high of \$21.97 billion for the past year (March 2017 to February 2018).
- Rents decreased from \$1.30 per square foot per month ("psf/mo") reported at year-end 2017 to \$1.22 psf/mo at 2Q2018. Colliers has pegged this as the "bottom of the barrel" syndrome where asking rents for currently available poor quality warehouse spaces actually bring the island-wide average asking base rental rate down.
- There does not appear to be any release valve for the pent up demand for warehouse space on Oahu. For the foreseeable future, Colliers believes that tight market conditions will persist and, barring the continuation of the "bottom of the barrel" syndrome, rental rates for prime available urban space will surge upward.

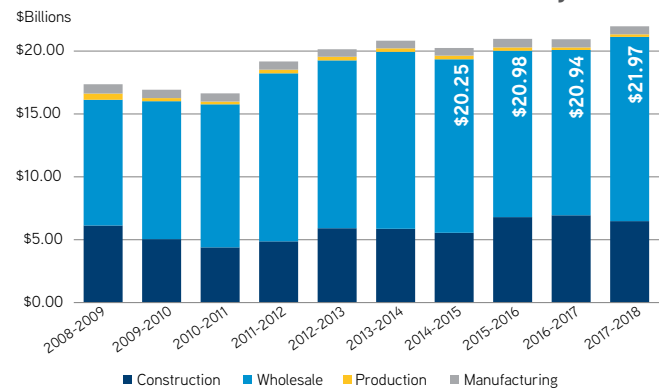
Market Indicators

Relative to prior quarter	1Q2018 vs. 2Q2018
ABSORPTION	↑
VACANCY RATE	↓
RENTAL RATES	↓
CONSTRUCTION	↑

Summary Statistics

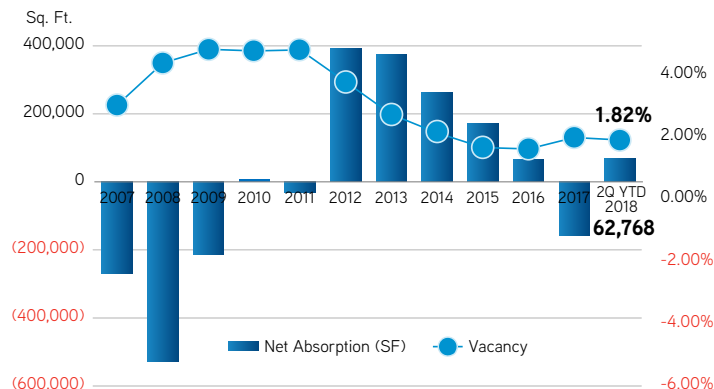
2Q YTD 2018 Net Absorption	62,768 SF
Vacancy Rate	1.82%
Direct Weighted Average Asking Rent	\$1.22 PSF/Mo.
Average Operating Expense	\$0.40 PSF/Mo.

Oahu Industrial Revenues (March - February)



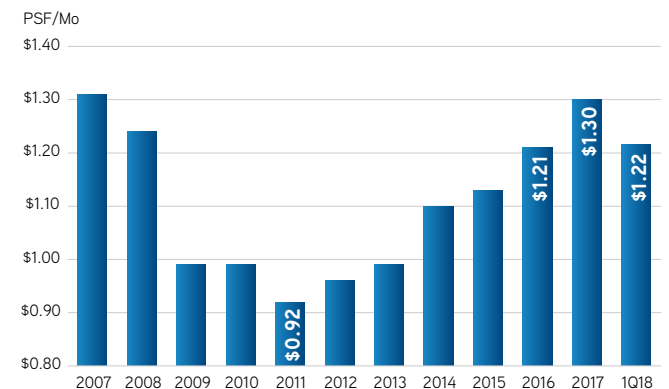
Source: Dept. of Taxation

Oahu Industrial Net Absorption vs. Vacancy Rate



©2018 Colliers International Research and Consulting. All rights reserved.

Oahu Industrial Direct Wtd. Avg. Asking NNN Rents



© 2018 Colliers International. Research & Consulting. All rights reserved.

2nd QUARTER 2018 Oahu Industrial Market Statistics

INDUSTRIAL MARKET - BY SUBMARKET AREA

	NO. OF BUILDINGS	BUILDING AREA (SF)	TENURE*	AVAILABLE SPACE (SF)	2Q2018 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	VACANCY RATE	DIRECT WTD. NET ASKING RENT (NNN) (PSF/MO)**	AVG. NET OP. EXP. (PSF/MO)
HONOLULU									
Iwilei	97	2,355,935	Fee Simple	58,904	5,436	15,057	2.50%	\$1.29	\$0.43
Kalihi	703	9,543,902	Fee Simple	205,965	28,970	5,206	2.16%	\$1.17	\$0.40
Sand Island	74	663,005	Leasehold	2,365	(1,125)	2,732	0.36%	\$1.40	\$0.32
Mapunapuna	107	4,214,301	Leasehold	20,900	(5,480)	(2,394)	0.50%	\$1.41	\$0.31
Airport	125	4,641,933	Fee Simple	34,579	(5,059)	(34,579)	0.74%	\$1.08	\$0.28
Total Honolulu	1,106	21,419,076		322,713	22,742	(13,978)	1.51%	\$1.20	\$0.39
CENTRAL OAHU									
Bougainville	20	806,460	Leasehold	0	0	0	0.00%	\$1.25	\$0.38
Halawa	84	2,695,411	Leasehold	48,392	(15,455)	(11,462)	1.80%	\$1.25	\$0.36
Pearl City/Aiea	45	1,660,582	Fee Simple	18,009	(1,060)	(11,428)	1.08%	\$1.41	\$0.47
Pearl City Industrial Park***	32	762,292	Fee Simple	20,130	11,920	(980)	2.64%	\$1.23	\$0.37
Gentry Business Park	67	1,778,759	Fee Simple	14,245	3,000	(3,559)	0.80%	\$1.27	\$0.50
Milltown	37	443,120	Fee Simple	30,000	14,934	12,491	6.77%	\$1.24	\$0.40
Waipahu	128	2,722,540	Fee Simple	46,441	(3,100)	(21,185)	1.71%	\$1.19	\$0.40
Total Central Oahu	381	10,869,164		177,217	10,239	(36,123)	1.63%	\$1.25	\$0.36
WEST OAHU									
Campbell Industrial Park	121	4,960,296	Fee Simple	66,201	4,938	4,938	1.33%	\$1.16	\$0.23
Kapolei Business Park	53	1,574,865	Fee Simple	146,319	6,977	6,977	9.29%	\$1.28	\$0.44
Malakole Industrial Park	3	197,000	Fee Simple	0	0	0	0.00%	\$1.16	\$0.23
Kenai Industrial Park	12	90,680	Fee Simple	0	0	0	0.00%	\$1.16	\$0.23
Kalaeloa Industrial	5	47,137	Fee Simple	0	0	0	0.00%	\$1.16	\$0.23
Total Kapolei	194	6,869,978		212,520	11,915	11,915	3.09%	\$1.24	\$0.28
WINDWARD OAHU									
Kapaa Industrial ****	61	577,381	Fee Simple	39,964	7,475	74,715	6.92%	\$1.59	\$0.31
Kaneohe	42	611,076	Fee Simple	11,314	(1,284)	(4,500)	1.85%	\$0.50	\$0.66
Total Windward	103	1,188,457		51,278	6,191	70,215	4.31%	\$1.35	\$0.39
OAHU TOTALS	1,784	40,346,675		732,989	69,911	62,768	1.82%	\$1.22	\$0.40

*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.

© 2018 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 CONSULTING & RESEARCH

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

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

Kaione Crabb (S)
Associate
+1 808 223 1978
kaione.crabb@colliers.com



Accelerating success.

Colliers International | Hawaii

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

+1 808 524 2666

colliers.com/hawaii