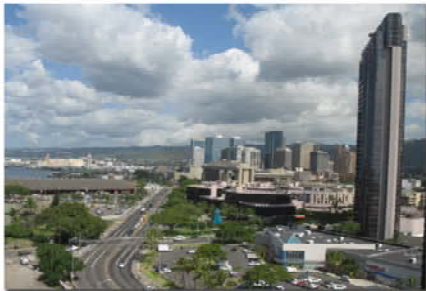




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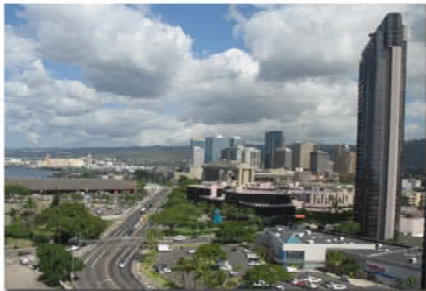
Oahu Office Market Review and Forecast

Mid-Year 2005





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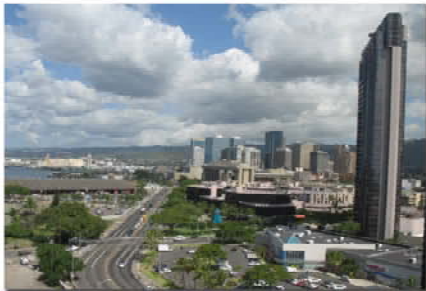


- Sub-markets
- Supply
- Demand
- Deal Terms
- TIs
- Parking
- Owner Consolidation
- Looking forward



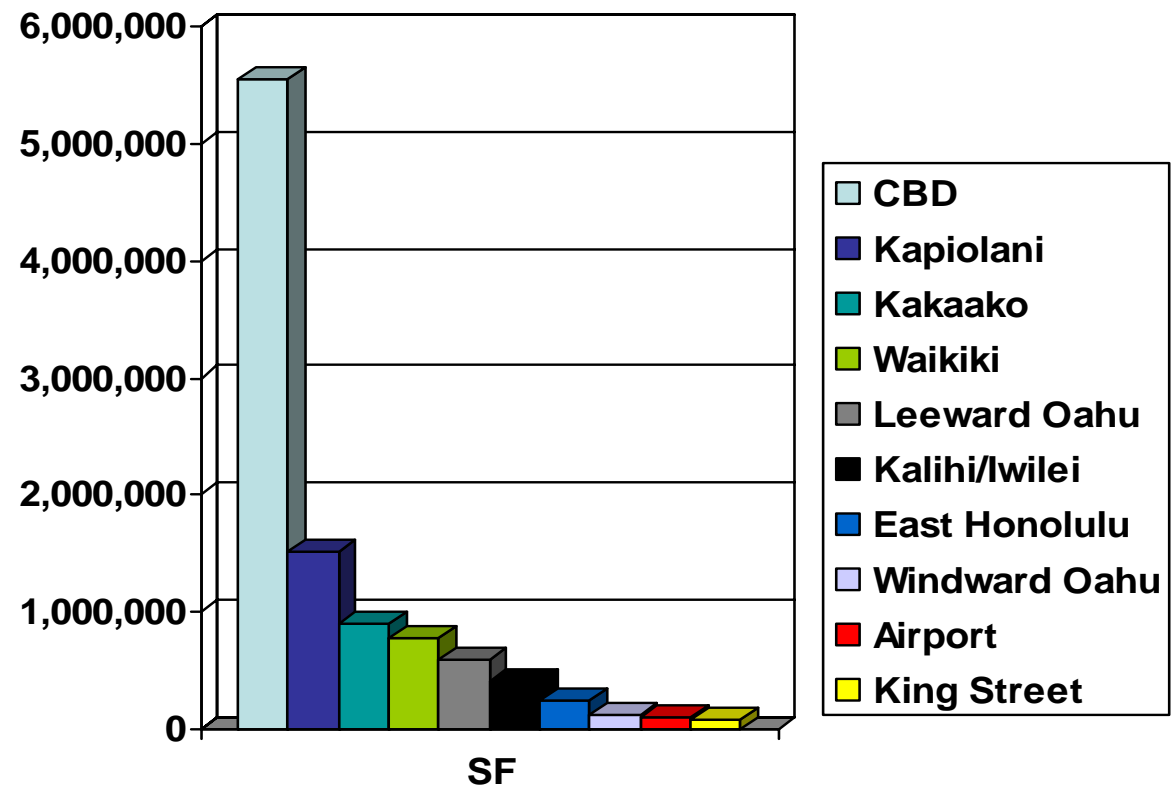


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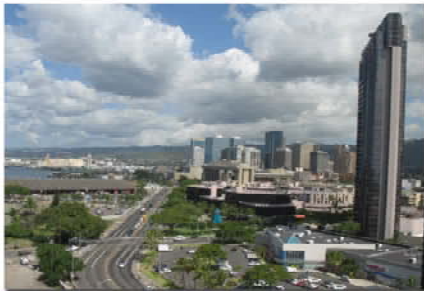
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CBD Dominates Market





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No New Supply

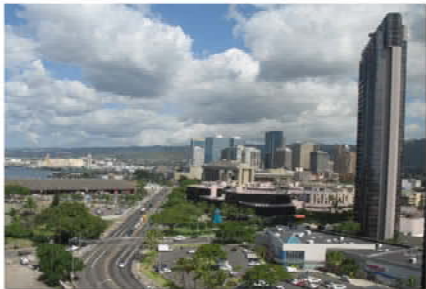


- Same Story – no significant new supply
- Rents still far below development cost
- Sublease
- 1100 Alakea
- Spec Spaces
- Suburban, small retail with office
- Kakaako





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Demand is Up

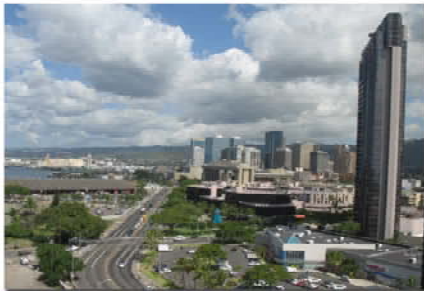


- Trickle down from local economic growth
- Tech
 - Biotech
 - Act 221
 - Issues for tech companies
- Mortgage
- Demand growth moderated
 - Less employees/revenue \$
 - Less sf/person



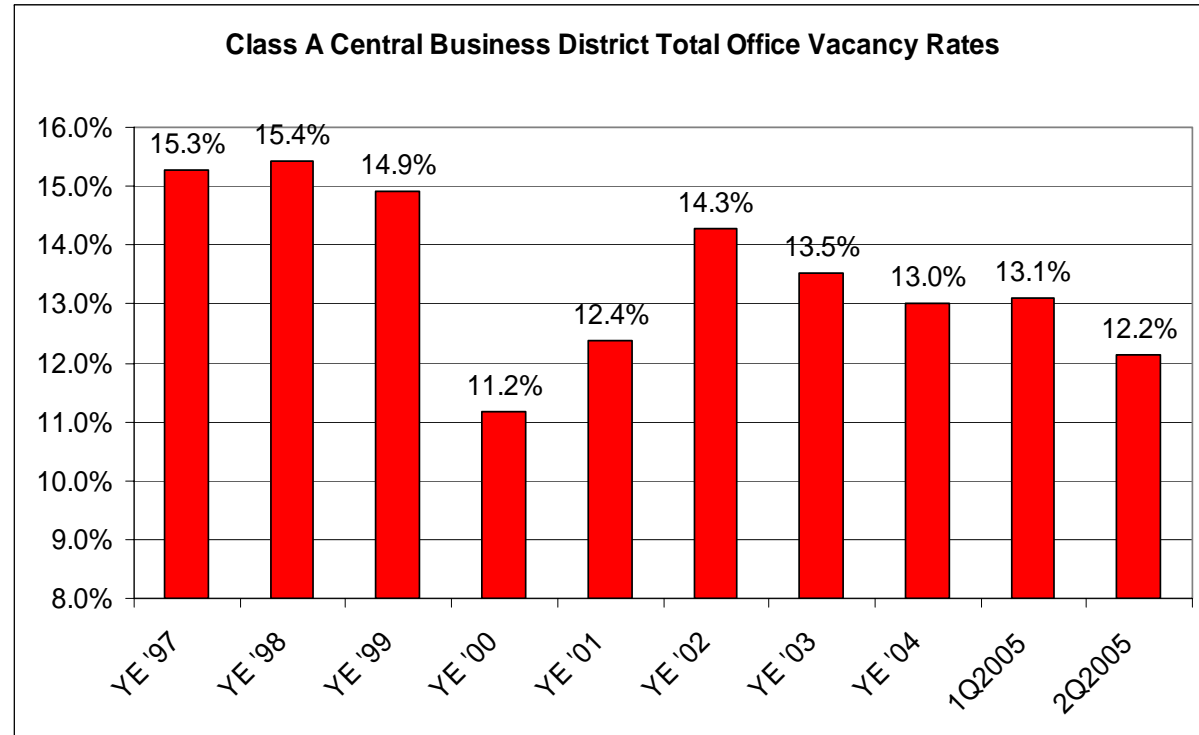


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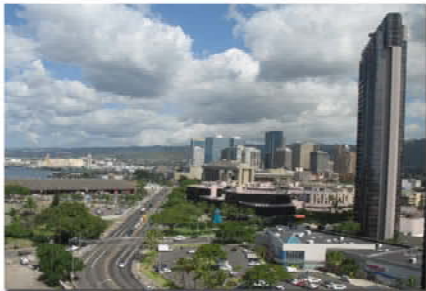
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CBD Class A Vacancy



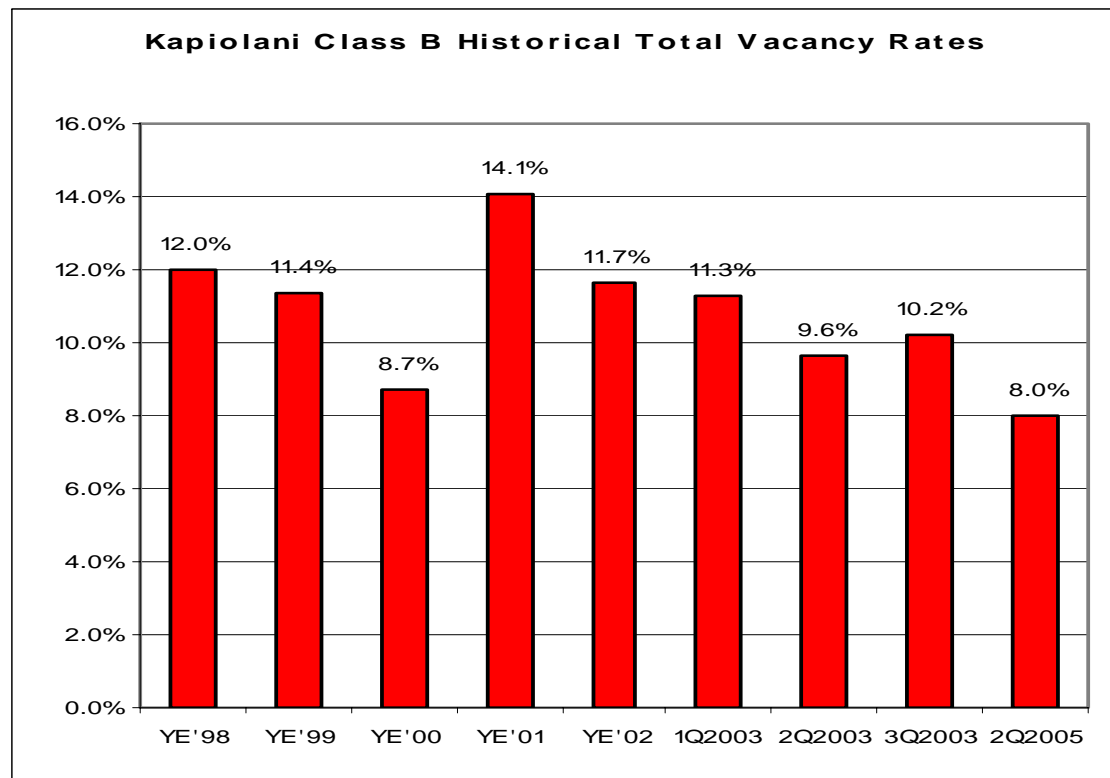


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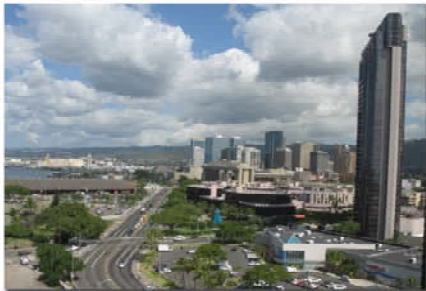
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Kapiolani Vacancy





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Rent Up, Free Rent Down

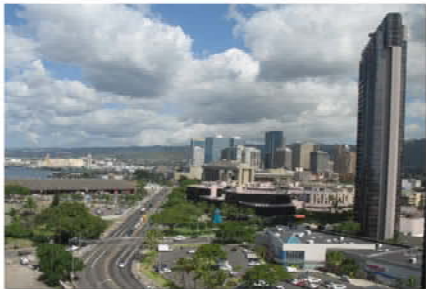


- Asking rents up across board
 - CBD A direct lease
 - Up \$0.08/rsf/mth (includes \$0.02 op exp increase) from end 2004
 - Range: \$2.28-\$2.48/rsf/mth
 - Op exp increases
 - Sublease asking above \$2 gross
- Free (base) rent periods nearly gone
- Annual increases now the norm
- Sublease still a factor





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TIs Way Up

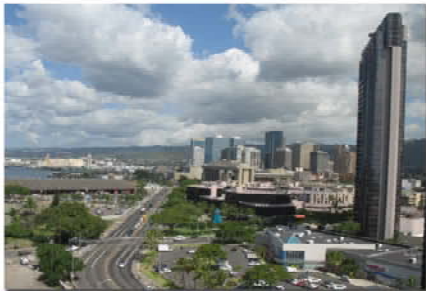


- Up 50% in last 12 months
- Often eats up base rent increases
- Permits taking longer





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Parking

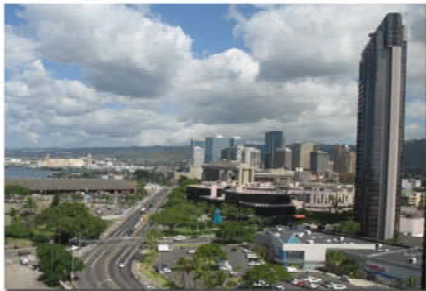


- Costs up
 - Downtown up \$20 in last year to \$185/unrsv/mth
- Availability down
 - Waiting lists
 - Decreased vacancy
 - More workers/sf





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Owner Consolidation

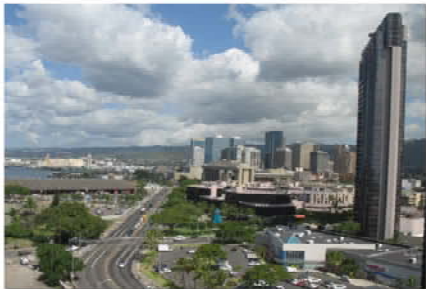


- Shidler Group
 - 1.3m rsf = 12% of Oahu A & B
 - 775,000rsf CBD A = 16% of CBD A
 - Davies Pacific Center, Waterfront Plaza, Pan Am Building, City Center, 1833 Kalakaua, 33 South King
- Douglas Emmett Group
 - 670,000rsf = 14% of CBD A
 - Harbor Court, 1132 Bishop Street





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Looking Forward



- Supply - When do rents approach replacement/development cost?
 - Residential highest & best use for development sites
- Positive demand – slow & steady
 - Job growth?
 - Unemployment?
 - Efficiency?
 - Parking?
- Rent, op exp?
 - Increase in spread between low rent & high rent
 - Electrical consumption
- TIs?
 - Impact on owner rates of return
 - Impact on demand

