



Honolulu, Hawaii: Office Survey

Inventory (sf)	Class A		Class B	
	CBD	Outside CBD	CBD	Outside CBD
Total	4,705,701	0	857,074	4,580,166
Vacant	652,807	0	89,888	563,135
Vacant Sublease	115,775	0	19,531	7,623
Under Construction	0	0	0	0
Substantial Rehab	0	0	0	0
Net Absorption	45,040	0	-155,112	20,925
Vacancy Rate	13.87%	N/A	10.49%	12.30%
Rental Rates (\$/sf)				
Lowest	\$23.40	-	\$19.80	\$19.92
Highest	\$41.64	-	\$28.32	\$41.52
Weighted Average	\$27.46	-	\$24.52	\$28.47
Sales Prices (\$/sf)				
Lowest	\$113.00	-	-	\$162.00
Highest	\$165.00	-	-	\$162.00
Weighted Average	\$147.50	-	-	\$162.00
Operating Expenses (\$/sf)				
Lowest	\$10.44	-	\$8.64	\$7.80
Highest	\$12.12	-	\$12.12	\$17.52
Weighted Average	\$11.14	-	\$10.63	\$11.37
Tax Expenses (\$/sf)				
Lowest	-	-	-	-
Highest	-	-	-	-
Weighted Average	-	-	-	-
Utility Rates:	CBD	\$- per sf	Parking Ratio:	CBD 1 per 775 sf
	Outside CBD	\$- per sf		Outside CBD 1 per 500 sf
	Not Separately Metered			
Standard Work Letter:	\$15-40 per sf typically based on dollars per square foot		Operating Cost Escalation:	determined by Base Year
Rate Of Return:	Cap Rate: 8.5-9.5% IRR: 0%		Mortgage Money Supply:	Ample
Cumulative Discount Rate:	11%		Prime Source of Financing:	CMBS
Landlord Concessions:	Rental Abatement, Addl. Interior Improvements		Outlook	
Leasing Activity Profile			Absorption	Up 1-5%
Major Activity -			Construction	Same
Minor Activity -	Fortune 500 Firms, Legal/Accounting, Insurance, Business Services, Sales, Finance/Banking, Engineering/Architecture, Government, Energy		Vacancies	Down 1-5%
			Rental Rates	Same
			Landlord Concession	Same
			Sales Class A CBD	Same
			Prices Outside CBD	Same
			Class B CBD	Same
			Outside CBD	Same

2003 Review

Honolulu's 10 million sq. ft. market includes multi-tenant Class A & B office buildings on the island of Oahu. Not included in our survey are approximately five million sq. ft. of 100 percent owner-occupied office condominium and Class C buildings. Suburban figures include (in declining order of size) Kapiolani corridor, Kakaako, Waikiki, Kalihi/Iwilei, Leeward Oahu, King/Beretania, East Honolulu, Windward Oahu, and Airport. Work letters are included in the rental rate quoted and are generally provided only in the CBD, Kapiolani corridor, Kakaako, and Waikiki submarkets. Rental rates given are full-service annualized figures and include real property tax. Honolulu has two main industries, tourism and military (Army, Navy, Air Force, and Marine bases). Tourism is rebounding from the shocks of September 11th, Afghanistan, Iraq, and SARS, while federal investment in our bases is increasing. We have a strong residential housing market and related residential construction.

2004 Forecast

Local economic forecasters are calling for job growth, a continuing rebound in tourism, increased military expenditures, and increased construction activity. All of these should result in increased demand for office space. Sublease space is decreasing, property tours are up dramatically since mid-2003, and for the first time since 2000, tenants are talking about expanding. Barring any geopolitical shocks, vacancies should continue to decrease during 2004. By year-end 2004, concessions should begin to decrease and rents increase. With sales prices about half of replacement cost, we expect investor demand to remain strong. At least one major office building will be on the market in early 2004, and potentially three others later in 2004. Rents are still dramatically below those required to justify new construction, so we do not see new construction planned for several years.

Reporter(s):

Brown James M., Hawaii Commercial Real Estate, 808.441.9757 jamie@hawaiiCRE.com