



Honolulu, Hawaii: Office Survey

Inventory (sf)	Class A		Class B	
	CBD	Outside CBD	CBD	Outside CBD
Total	4,731,671	0	804,349	4,806,127
Vacant	604,602	0	102,800	607,984
Vacant Sublease	40,505	0	29,360	20,088
Under Construction	0	0	0	0
Substantial Rehab	0	0	0	0
Net Absorption	74,961	0	-12,912	-44,849
Vacancy Rate	12.78%	N/A	12.78%	12.65%
Rental Rates (\$/sf)				
Lowest	\$25.92	-	\$19.80	\$19.92
Highest	\$42.00	-	\$32.16	\$54.60
Weighted Average	\$28.19	-	\$25.02	\$29.42
Sales Prices (\$/sf)				
Lowest	\$134.00	-	-	\$73.00
Highest	\$253.00	-	-	\$238.00
Weighted Average	\$182.00	-	-	\$84.00
Operating Expenses (\$/sf)				
Lowest	\$10.68	-	\$8.64	\$6.24
Highest	\$12.72	-	\$12.36	\$17.28
Weighted Average	\$11.56	-	\$10.57	\$11.44
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: 5-9% IRR: -%		Mortgage Money Supply:	Ample
Cumulative Discount Rate:	%		Prime Source of Financing:	Private Equity
Landlord Concessions:	Rental Abatement, Tenant improvements for standard buildout		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	Up 1-5%
			Landlord Concession	Down 1-5%
			Sales Class A CBD	Up 1-5%
			Prices Outside CBD	Same
			Class B CBD	Up 1-5%
			Outside CBD	Up 6-10%

Reporter(s):

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2004 Review

Honolulu's 10.3 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 owner-occupied, office condominiums, 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, sub-markets. Rental rates given are full-service annualized figures and include real property tax. Honolulu has three main industries: tourism, government (Army, Navy, Air Force, and Marine bases, federal government, state, and city) and construction. Tourism rebounded from the shocks of September 11th, Afghanistan, Iraq, and SARS to record levels. Military investment in our bases is up with large, long term construction projects in the pipeline. Mainland U.S. investor activity was up dramatically.

2005 Forecast

Local economic forecasters are calling for continued job growth, population growth, growth 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, and tenants are talking about expanding. Barring any geopolitical shocks, vacancies should continue to decrease during 2005. By mid 2005, concessions should begin to decrease and rents increase. Landlords feel the market will change from a tenant's to a landlord's market in 2005. With one of the nation's strongest state economies and sales prices well below replacement cost, we expect investor demand to remain strong. Rents are still dramatically below those required to justify new construction, so we do not see new construction planned for several years.