



Annual Chg 12-Mo. Forecast

12.0%
Vacancy Rate



8,329
Net Absorption, SF



\$3.29
FSG Asking Rent, PSF/Mo



(Overall, Class "A" Properties)

THE URBAN HONOLULU OFFICE MARKET

The urban Honolulu office market consists of the Central Business District (CBD), Kapiolani and Waikiki and represents 75% of Oahu's Class A & B office market. With such a large share of the market, trends in Urban Honolulu will be reflected in the smaller sub-markets and indicative of the entire Oahu office market. We further define the Urban Market by excluding Class C properties and owner/user buildings.

CENTRAL BUSINESS DISTRICT (CBD)

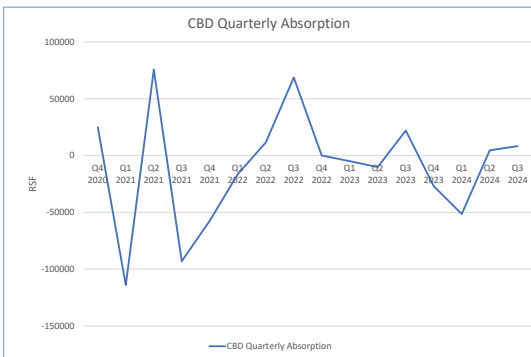
During the first nine months of 2024, the Honolulu Central Business District (CBD) office market showed signs of tightening, with the Class A vacancy rate decreasing to 12.0% by the end of the third quarter. This quarter saw a net increase in Class A office occupancy of 8,329 square feet. When considering both Class A and B properties, overall occupancy increased by 15,650 square feet during the same period. This modest improvement in vacancy and occupancy metrics compares favorably to trends in other U.S. urban office markets.

A significant factor contributing to the anticipated tightening of CBD office space is the ongoing conversion of office space at the Davies Pacific Center (DPC) to Modea residential condominiums. Additionally, with the pending purchase the twin-tower Topa Center there are plans that include converting one of the 300,000 square-foot towers to residential use, further reducing available office space in the CBD.

Looking ahead, the outlook for Honolulu's CBD office market is one of continued tightening. Decreasing vacancy levels are expected in both the CBD and Kapiolani areas, though substantial impacts on office space availability may be at least a year away. Over the longer term, we anticipate a shrinking supply of premier Class A office space, increasing demand for remaining inventory, rising rental rates due to heightened competition, potential downsizing of office footprints as businesses adapt to more remote work, and a sustained slowdown in new office development within the CBD.

The updated MarketBeat forecast for 2024 projects year-end Class A vacancy rates to fall into the 11% range, with combined Class A and B vacancies remaining under 13%. For 2025, the forecast suggests a continued decline in CBD office space vacancies, with the Class A vacancy rate expected to drop below 8% by year-end.

OFFICE MARKET ABSORPTION (SF)



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Office Q3 2024

KAPIOLANI

The Kapiolani office submarket experienced a modest increase in occupancy during the third quarter of 2024, with positive net absorption totaling 12,327 square feet, bringing the overall vacancy rate to 21.6%. This improvement is noteworthy as it marks the first signs that the positive momentum in the Central Business District (CBD) office market is beginning to have a spillover effect on the Kapiolani submarket.

Several factors are influencing the submarket's leasing absorption performance, including the continued preference for remote work among employees, inflationary pressures, high interest rates, and the economic impact of external factors such as the wildfire devastation in Lahaina and the weakening of the Japanese yen against the U.S. dollar, which has negatively affected Hawaii's tourism sector.

Looking ahead to 2025, the MarketBeat report anticipates that the tightening office space availability in the downtown CBD will begin to have a more pronounced effect on the Kapiolani office submarket, driving further occupancy improvements.

WAIKIKI

Following two consecutive quarters of modest positive absorption, the Waikiki office submarket saw a reversal in the third quarter of 2024, with negative absorption exceeding 7,000 square feet. This softening trend has pushed the submarket's vacancy rate above 32%.

The Waikiki office market continues to face significant challenges, particularly due to the slow recovery of Japanese tour groups, which has been compounded by broader economic headwinds. These include inflationary pressures, rising interest rates, and external factors such as the devastating wildfires in Lahaina and the ongoing weakness of the Japanese yen against the U.S. dollar, all of which have had a negative impact on Hawaii's tourism sector.

Visitor arrivals are projected to decrease by 1.0 percent in 2024 and will improve starting in 2025 as the Japanese visitor market recovery accelerates. Full recovery in arrivals will not happen until 2027 when 10.3 million visitors will come to the state. Visitor spending is projected to be \$20.7 billion in 2024 and is expected to increase to \$23.9 billion by 2027. *(Source: DBEDT Hawaii)*

DOWNTOWN CBD - CLASS A

PROPERTY	BUILDING SF	TOTAL VACANCY SF	DIRECT VACANCY RATE %	OPERATING EXPENSES (\$/RSF/MO)	ASKING FULL SERVICE GROSS RENTS (\$/RSF/MO)	
745 FORT STREET - TOPA TOWER	302,115	60,098	19.9%	1.78	3.28	3.28
700 BISHOP STREET - TOPA TOWER	270,866	54,515	20.1%	1.78	3.28	3.28
ASB TOWER - BISHOP SQUARE	519,087	103,552	19.9%	1.78	3.33	3.33
PIONEER PLAZA	398,223	75,149	18.9%	1.74	3.10	3.20
MAKAI TOWER - PACIFIC GUARDIAN CENTER	309,168	24,236	7.8%	1.68	3.18	3.33
MAUKA TOWER - PACIFIC GUARDIAN CENTER	309,188	48,217	15.6%	1.68	3.18	3.33
CENTRAL PACIFIC PLAZA	253,382	31,075	12.3%	1.78	3.23	3.33
PAUHI TOWER - BISHOP SQUARE	456,814	33,298	7.3%	1.74	3.29	3.29
CITY FINANCIAL TOWER	180,563	7,912	4.4%	1.66	3.21	3.41
WATERFRONT PLAZA	547,277	72,255	13.2%	1.70	3.55	4.20
ALII PLACE	340,657	2,626	0.8%	1.82	3.32	3.32
HARBOR COURT	214,934	13,549	6.3%	2.01	3.46	3.56
FIRST HAWAIIAN CENTER	379,336	12,874	3.4%	1.56	3.31	3.31
TOTALS	4,481,610	539,356	12.0%	1.75	3.29	3.40

*Rental rates reflect full service asking rents

	Qtr Chg	12-Mo. Forecast
KAPIOLANI 21.6% Vacancy Rate	▲	▼
19,910 2024 Net Absorption, SF	▲	▲
\$3.20 FSG Asking Rent, PSF/Mo	▼	▲
WAIKIKI CLASS A	YoY Chg	12-Mo. Forecast
32.2% Vacancy Rate	▲	▼
(1,006) 2024 Net Absorption, SF	▲	▼
\$3.82 FSG Asking Rent, PSF/Mo	▼	▲