

Quarterly Chg    12-Mo. Forecast

**12.1%**  
Vacancy Rate    ▲    ▼

**(7,125)**  
Net Absorption, SF    ▼    ▲

**\$3.34**  
FSG Asking Rent, PSF/Mo    ▲    ▲

(Overall, 2024 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)

The Honolulu Central Business District (CBD) office market vacancy softened somewhat in the first quarter of 2025 with the Class A vacancy increasing slightly to 12.1%. The Urban Office MarketBeat is still forecasting a market tightening, following the December 2024 sale of Topa Tower to Avalon Commercial, where the 302,115 SF Fort Street Tower is planned to be converted to residential use and as that takes place, the current tenants in occupancy are expected to relocate to other properties as work on that conversion commences in earnest.

The dynamics of the transformative effect of the Topa Tower sale, along with the 2023 sale of Davies Pacific Center. Together, these two projects encompass 756,032 rentable square feet or 18% of the downtown Class A inventory. With the assumption being that as two major Honolulu office buildings are converted to other uses, the vacancy rate could theoretically approach 9% over the next several years..

This quarter saw a small net decrease in office occupancy within the CBD, with a combined Class A and B occupancy decrease of 10,034 square feet.

### LOOKING AHEAD

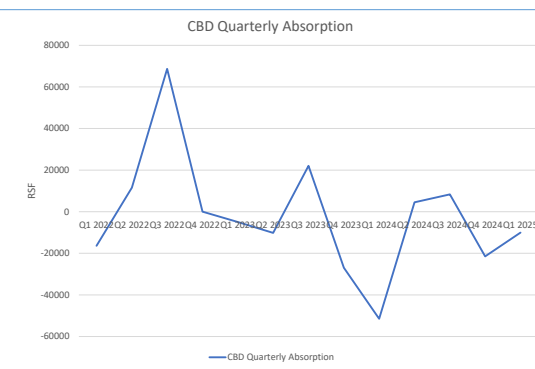
Honolulu's Central Business District (CBD) office market is expected to continue tightening in 2025 as tenant relocations from the Topa Financial Center and Davies Pacific Center conversions reduce available inventory.

Down the road, we see several long-term trends emerging:

- A tightening supply of high-quality Class A office space
- Over time, competition for remaining CBD inventory, will likely put upward pressure on base office rental rates.

The MarketBeat's outlook for 2025 expects Class A vacancy to be around 9% by year-end, with overall vacancies expecting to be under 12%. These developments point to a more dynamic urban office market, with increasing competition ahead.

## OFFICE MARKET ABSORPTION (SF)



## A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of \$9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other.





## Office Q1 2025

### KAPIOLANI

In the first quarter of 2025, the Kapiolani office submarket saw a slight increase in vacancy, despite experiencing a negative absorption of 28,968 square feet. Accounting for the modest increase in vacancy is the removal of 1500 Kapiolani Blvd from the MarketBeat survey as it is being offered for sale as a redevelopment project and the owner, Salem Partners, has ended any leasing activity at this property. Since 1500 Kapiolani most recently had over a 60% vacancy, the removal of this building from the survey, limited the increase the overall Kapiolani office submarket vacancy rate to 20.3%.

Other factors affecting the Kapiolani market are the preference for remote work which continues to encourage renewing tenants to downsize their office footprints and the ongoing sluggish recovery of Japanese tourism that is creating economic headwinds for the local Kapiolani area.

Despite these challenges, rental rates have remained relatively stable due to a combination of limited office inventory, inflation, and economic uncertainty. However, concerns over the financial burden of maintaining unused office space continue to outweigh optimism about a full return of employees to physical offices.

As the downtown market continues to tighten and local businesses adapt to evolving work and economic conditions, the Kapiolani submarket is expected to remain a key option for office tenants seeking flexibility and affordability in Honolulu.

### WAIKIKI

The office market in Waikiki, the smallest of the three urban submarkets continues to face challenges, largely influenced by the slow recovery of Japanese tour groups. While there was a modest improvement in 2024, this year the Waikiki Business Plaza managed to lease a full floor of office space to a Japanese style capsule hotel. This news, which may end up being the beginning of a new trend in the bigger Waikiki hospitality market, reduced the Class A vacancy rate to 32%

Additionally, the new administration in Washington has raised tariffs with Canada, causing some Canadians, who represent 4.5% of the visitors to Waikiki, to cancel planned vacations.

That said, the MarketBeat remains cautiously optimistic for 2025.

### DOWNTOWN CBD - CLASS A

PROPERTY	BUILDING SF	TOTAL VACANCY SF	DIRECT VACANCY RATE %	OPERATING EXPENSES (\$/RSF/MO)	ASKING FULL SERVICE GROSS RENTS (\$/RSF/MO)	
700 BISHOP STREET - TOPA TOWER	270,866	38,855	14.3%	1.81	3.31	3.31
ASB TOWER - BISHOP SQUARE	519,087	97,529	18.8%	1.80	3.35	3.35
PIONEER PLAZA	398,223	64,901	16.3%	1.74	3.10	3.20
MAKAI TOWER - PACIFIC GUARDIAN CENTER	309,168	39,370	12.7%	1.71	3.26	3.31
MAUKA TOWER - PACIFIC GUARDIAN CENTER	309,188	87,701	28.4%	1.71	3.26	3.31
CENTRAL PACIFIC PLAZA	253,382	31,075	12.3%	1.98	3.43	3.53
PAUHI TOWER - BISHOP SQUARE	456,814	34,638	7.6%	1.75	3.30	3.30
CITY FINANCIAL TOWER	180,563	12,702	7.0%	1.66	3.21	3.41
WATERFRONT PLAZA	547,277	80,701	14.7%	1.87	3.72	4.37
ALII PLACE	340,657	-	0.0%	1.82	3.32	3.32
HARBOR COURT	214,934	13,904	6.5%	2.05	3.50	3.60
FIRST HAWAIIAN CENTER	379,336	3,870	1.0%	1.56	3.31	3.31
<b>TOTALS</b>	<b>4,179,495</b>	<b>505,246</b>	<b>12.1%</b>	<b>1.79</b>	<b>3.34</b>	<b>3.44</b>

\*Rental rates reflect full service asking rents

<b>KAPIOLANI</b>	Qtr Chg	12-Mo. Forecast
<b>20.3%</b> Vacancy Rate	▲	▼
<b>(14,570)</b> 2024 Net Absorption, SF	▼	▲
<b>\$3.46</b> FSG Asking Rent, PSF/Mo	▲	▲
<b>WAIKIKI CLASS A</b>	YoY Chg	12-Mo. Forecast
<b>32.0%</b> Vacancy Rate	▼	▼
<b>(2,165)</b> 2024 Net Absorption, SF	▲	▼
<b>\$3.82</b> FSG Asking Rent, PSF/Mo	▼	▲