



Quarterly
Chg

12.3%
Vacancy Rate



12-Mo.
Forecast



(10,381)
Net Absorption, SF



\$3.35
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)

In the second quarter of 2025, the Honolulu Central Business District (CBD) office market experienced a slight softening, with Class A vacancy edging up to 12.3%. Despite this, the Urban Office MarketBeat continues to project a modest tightening of the market by the end of the year.

Avalon Commercial recently announced that it will offer its full-floor tenants the opportunity to purchase their respective floors in the Bishop Tower. Additionally, Avalon plans to extend this offer to full-floor tenants in the Fort Street Tower who will be relocating to the Bishop Tower as the Fort Street Tower's conversion to residential use, encompassing 302,115 square feet, moves forward.

These conversions at Topa Tower—transforming Fort Street Tower to residential use and Bishop Tower to individually owned commercial units—are expected to further reduce the supply of available rentable space in the Downtown CBD, influencing overall vacancy rates.

During the second quarter, the market saw a modest net reduction in occupancy, with a combined Class A and B decrease of 14,929 square feet.

LOOKING AHEAD

As we move through 2025, the Honolulu CBD office market is anticipated to continue tightening as tenant relocations from the Topa Financial Center and Davies Pacific Center conversions reduce available office inventory. Several longer-term trends are worth noting:

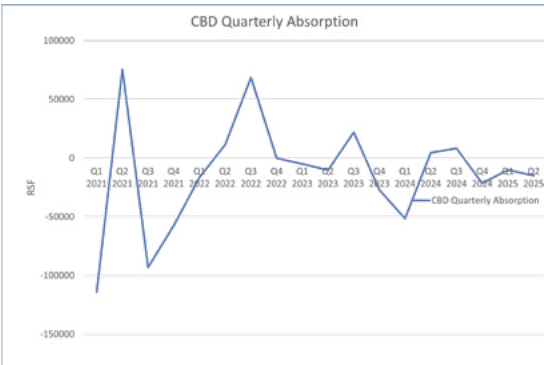
- A continued reduction in high-quality Class A office supply
- Increasing competition for the remaining inventory, likely putting upward pressure on base rents
- Minimal new office development planned within the CBD

The Urban Office MarketBeat forecast expects Class A vacancy to decline to around 12% by year-end, with overall vacancies holding at or below 14%. These shifts suggest a more competitive and dynamic urban office market in the quarters to come.



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OFFICE MARKET ABSORPTION (SF)



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Office Q2 2025

KAPIOLANI

In the second quarter of 2025, the Kapiolani office submarket experienced a rise in vacancy to 21.9%, driven by negative absorption totaling 17,392 square feet. This significant change was primarily due to HMSA vacating approximately 18,600 square feet at the 1601 Kapiolani Boulevard office building.

Beyond the HMSA downsizing, the submarket's negative leasing activity also reflects broader trends. A continued preference for remote and hybrid work arrangements has encouraged many renewing tenants to reduce their office footprints. Additionally, the slow recovery of Japanese tourism is creating economic headwinds that continue to affect local demand in the Kapiolani area.

Despite these challenges, rental rates have edged upward, supported by limited office inventory and inflationary pressures. However, concerns about the financial burden of maintaining underutilized office space continue to temper optimism about a full return of employees to physical offices.

Looking ahead, as the downtown market tightens and local businesses adapt to shifting work patterns and economic conditions, the Kapiolani submarket is expected to remain an attractive option for tenants seeking flexibility and affordability within Honolulu.

WAIKIKI

Waikiki, the smallest of Honolulu's three urban office submarkets, is beginning to show encouraging signs of activity, even as Japanese tour group arrivals continue their slow recovery. In the second quarter of 2025, the submarket recorded a notable improvement, with the vacancy rate decreasing to 27.4%.

Despite this positive momentum, the market outlook remains somewhat uncertain. The ongoing weakness of the yen against the dollar continues to weigh on Japanese tourism, a critical economic driver for Waikiki. Additionally, forecasts indicate that this year's summer tourism season, traditionally the strongest period, may not perform as well as last year.

Nevertheless, the Urban Office MarketBeat maintains a generally optimistic outlook for the remainder of 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	40,553	15.00%	1.81	3.31	3.31
ASB TOWER - BISHOP SQUARE	519,087	99,460	19.20%	1.8	3.35	3.35
PIONEER PLAZA	398,223	64,901	16.30%	1.74	3.1	3.2
MAKAI TOWER - PACIFIC GUARDIAN CENTER	309,168	41,794	13.50%	1.71	3.26	3.31
MAUKA TOWER - PACIFIC GUARDIAN CENTER	309,188	84,422	27.30%	1.71	3.26	3.31
CENTRAL PACIFIC PLAZA	253,382	31,075	12.30%	1.98	3.43	3.53
PAUHI TOWER - BISHOP SQUARE	456,814	35,659	7.80%	1.75	3.3	3.3
CITY FINANCIAL TOWER	180,563	12,702	7.00%	1.88	3.43	3.63
WATERFRONT PLAZA	547,277	87,287	15.90%	1.88	3.73	4.38
ALII PLACE	340,657	-	0.00%	1.82	3.32	3.32
HARBOR COURT	214,934	13,904	6.50%	2.05	3.5	3.6
FIRST HAWAIIAN CENTER	379,336	3,870	1.00%	1.51	3.26	3.26
TOTALS	4,179,495	515,627	12.3%	1.80	3.35	3.46

*Rental rates reflect full service asking rents

KAPIOLANI	Qtr Chg	12-Mo. Forecast
21.9% Vacancy Rate	▼	▼
(2,951) 2024 Net Absorption, SF	▼	▲
\$3.26 FSG Asking Rent, PSF/Mo	▲	▲
WAIKIKI CLASS A	YoY Chg	12-Mo. Forecast
26.4% Vacancy Rate	▼	▼
17,177 2024 Net Absorption, SF	▲	▼
\$4.01 FSG Asking Rent, PSF/Mo	▼	▲