MARKETBEAT

HONOLULU URBAN

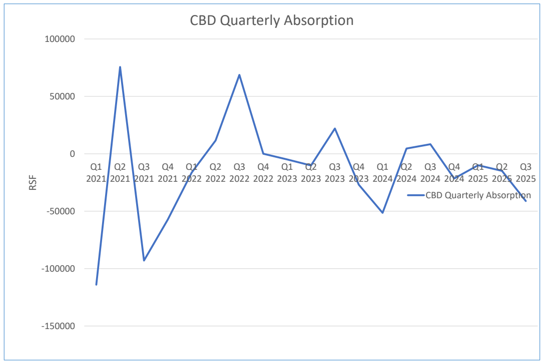
Office Q3 2025

CUSHMAN & WAKEFIELD | ChaneyBrooks

	Quarterly Chg	12-Mo. Forecast
13.3% Vacancy Rate	▲	▼
(41,189) Net Absorption, SF	▼	▲
$3.38 FSG Asking Rent, PSF/Mo	▲	▲

(Overall, Class "A" Properties)

OFFICE MARKET ABSORPTION (SF)



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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 third quarter of 2025, the Honolulu Central Business District (CBD) office market experienced increasing vacancy, with Class A vacancy edging up to 13.3%. Much of this increase in vacancy rates is attributable to the three largest CBD office projects, Topa Financial Center; Bishop Square and Pacific Guardian Center. Although these increased vacancies account for a full percentage point, the Urban Office MarketBeat continues to project a future tightening of the downtown market.

Base rental rates and operating expenses (Gross Rent) have remained flat although operating expenses are anticipated to increase in 2026, which indicates that if the gross rents remain where they are then the landlords of these office building projects will experience an erosion in their profitability continuing a historic trend that began decades ago. That trend directly accounts for the conversion of three downtown office towers either converting to (or being in the process of converting to) uses other than office space. Taken together these projects account for over 1 million square feet, or 20% of the entire downtown office market.

During the second quarter, the market saw a net reduction in occupancy, with a combined Class A and B decrease of 41,189 square feet.

LOOKING AHEAD

As we move into the new year, the Honolulu CBD office market is anticipated to begin 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
- No new office development planned within the CBD

The Urban Office MarketBeat forecast expects Class A vacancy to remain around 13% by year-end, with overall vacancies holding at or below 15%. These shifts suggest a smaller yet more competitive and dynamic urban office market in the quarters to come.

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KAPIOLANI

The Kapiolani office submarket recorded a strong rebound in the third quarter of 2025, with vacancy improving to 21.1% and positive net absorption of 69,057 square feet. This performance marks a welcome turnaround and reflects renewed tenant activity in one of Honolulu's most dynamic mixed-use corridors. The quarter's biggest event was the $18.8 million acquisition of 1601 Kapiolani Boulevard by Bowers + Kubota, which consolidated their operations and removed a significant block of vacant space from the market.

Despite macroeconomic headwinds and evolving workplace dynamics, the Kapiolani corridor continues to demonstrate resilience. Rental rates have edged upward, supported by limited supply, inflationary pressures, and a steady shift toward quality space. While some firms continue to downsize or delay expansion due to hybrid work models, well-located and efficiently designed buildings remain in steady demand.

Market sentiment is cautiously optimistic, as Kapiolani's location between the CBD and Waikiki positions it well to attract displaced tenants from downtown conversions. With several older CBD properties transitioning to mixed-use or residential, Kapiolani stands out as an attractive alternative for professional service firms and growing local businesses.

Looking ahead, the submarket is expected to see moderate tightening through late 2025 into 2026, with incremental rental growth and reduced availability in top-tier properties. No new office development and improving tenant confidence are likely to sustain the recovery trend, reinforcing Kapiolani's reputation as Honolulu's most accessible and adaptable urban office market.

WAIKIKI

The Waikiki office market held steady in the third quarter of 2025, maintaining an overall vacancy rate of 27.3% and continuing the gains achieved earlier in the year. Despite this stability, the submarket remains challenged by a weak Japanese yen and the ongoing slowdown in Japanese tourism—key drivers of the local economy. The sharp decline in destination weddings, down roughly 78% from 2019, has further softened demand for office space tied to hospitality and event-oriented businesses.

Looking ahead, conditions appear cautiously optimistic. Waikiki is seeing gradual diversification in its tenant mix, with growing interest from domestic firms seeking proximity to the visitor market. Reinvestment and adaptive reuse efforts by property owners are creating opportunities to reposition older assets and attract new users. While short-term momentum remains modest, improving tourism fundamentals and a strengthening U.S.–Asia travel corridor could help reduce vacancy and stabilize rents through 2026.

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	66,553	24.6%	1.81	3.31	3.31
ASB TOWER - BISHOP SQUARE	519,087	120,900	23.3%	1.80	3.35	3.35
PIONEER PLAZA	398,223	64,901	16.3%	1.80	3.10	3.40
MAKAI TOWER - PACIFIC GUARDIAN CENTER	309,168	51,989	16.8%	1.71	3.26	3.31
MAUKA TOWER - PACIFIC GUARDIAN CENTER	309,188	76,126	24.6%	1.71	3.26	3.31
CENTRAL PACIFIC PLAZA	253,382	31,075	12.3%	1.98	3.43	3.53
PAUAHI TOWER - BISHOP SQUARE	456,814	30,132	6.6%	1.75	3.30	3.30
CITY FINANCIAL TOWER	180,563	12,702	7.0%	1.93	3.43	3.68
WATERFRONT PLAZA	547,277	84,664	15.5%	1.88	3.73	4.38
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%	1.51	3.26	3.26
TOTALS	**4,179,495**	**556,816**	**13.3%**	**1.81**	**3.38**	**3.48**

*Rental rates reflect full service asking rents

KAPIOLANI

	Qtr Chg	12-Mo. Forecast
21.1% Vacancy Rate	▼	▼
69,057 Net Absorption, SF	▼	▲
$3.45 FSG Asking Rent, PSF/Mo	▲	▲

WAIKIKI CLASS A

	YoY Chg	12-Mo. Forecast
26.2% Vacancy Rate	▼	▼
855 Net Absorption, SF	▲	▼
$4.00 FSG Asking Rent, PSF/Mo	▼	▲