

FIGURES | HAWAII INDUSTRIAL | Q4 2023

# Hawaii Industrial: Net absorption increases in Q4 2023 despite low availability



Note: Arrows indicate change from previous quarter.

## Availability rates decreased further

- Statewide availability decreases further from 1.5% the previous quarter to 1.4% in Q4 2023.

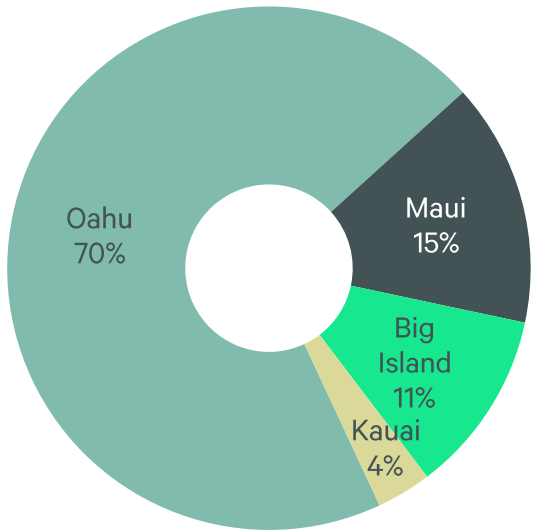
## Despite low availability, net absorption increased in Q4 2023

- Hawaii’s industrial sector experienced 68,878 SF of positive net absorption for Q4 2023, compared to the positive net absorption of 37,466 SF in Q3 2023.

## Average net asking lease rates increased slightly while operating expenses remain the same

- Average net asking rate statewide increased slightly to \$1.49/SF this quarter. Average operating expenses held steady at \$0.43/SF.

FIGURE 1: Hawaii Industrial Market Distribution



Source: CBRE Research, Q4 2023.

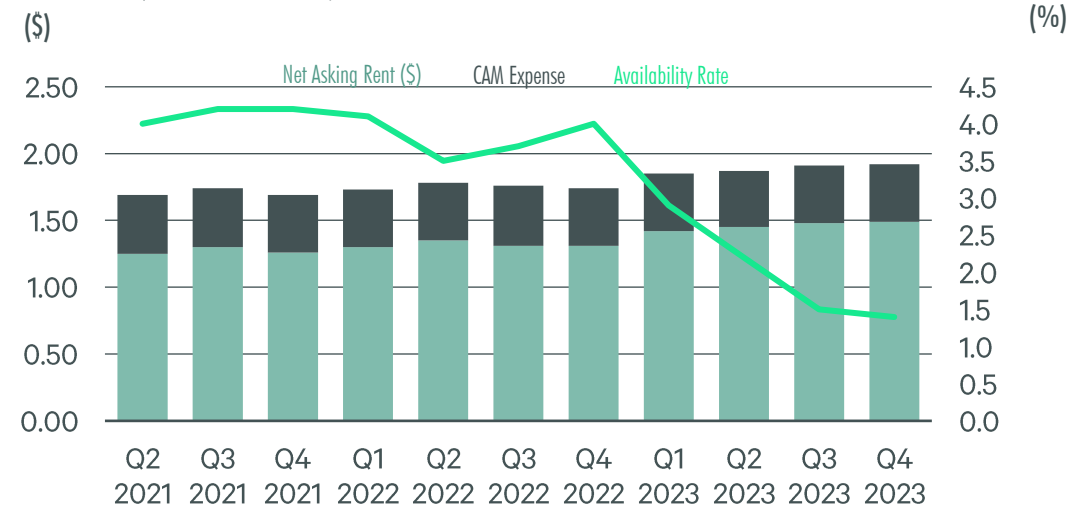
## Market Overview

Hawaii’s industrial sector experienced 68,878 SF of positive net absorption for Q4 2023, compared to the positive net absorption of 37,466 SF in Q3 2023. On Oahu, the submarket Campbell led with positive absorption, followed by Waipahu, Halawa, and Kalihi. Campbell’s performance this quarter was attributed to one large space being leased out. Oahu led in positive net absorption this quarter followed further behind by the Big Island of Hawaii. These two islands both had positive net absorption in the last three quarters of 2023 after experiencing a negative net absorption only in Q1. Statewide availability rate decreased further from 1.5% to 1.4% this quarter, with the Big Island and Maui at the lowest of 0.5% and with Maui still recovering from the Lahaina fire on August 8, 2023. Average net asking lease rates increased slightly to \$1.49/SF to close out Q4 2023.

Overall, average net asking lease rates seem to indicate that demand is tapering, yet the 50,000+ SF new inventory that came online in the Campbell area last quarter was absorbed relatively quickly this quarter. Also, Waipahu, the second performing submarket this quarter, experienced positive net absorption at \$1.47/SF and a 1.9% availability rate vs. negative net absorption at \$1.94/SF and a 1.5% availability rate. The \$1.47/SF rate for Waipahu is closer to the average rate for Oahu, despite being further from the industrial core, and with warehouses generally not newer than in the Kapolei area.

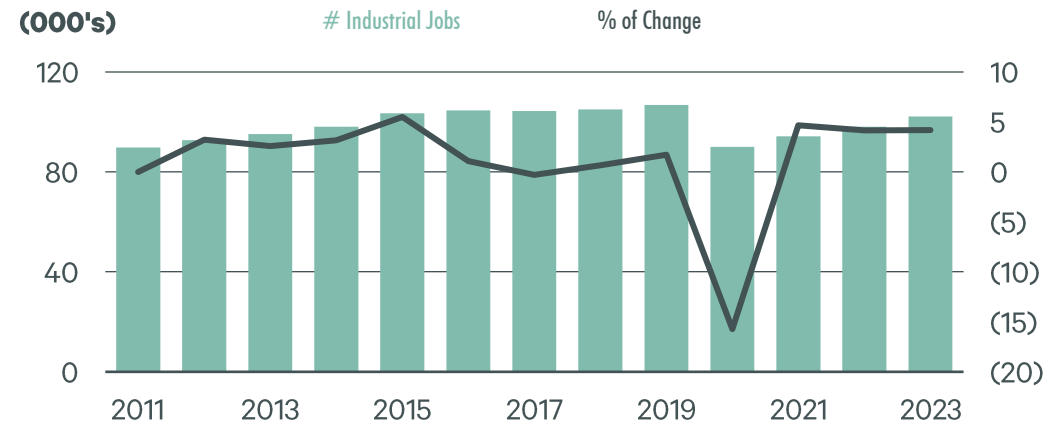
While the average rate statewide is at \$1.49/SF, the Big Island has an average net asking lease rate of \$1.94/SF. However, representatives in the field have confirmed that leases are transacting closer to \$1.30/SF. With Oahu being the largest market, Maui being the second, the Big Island has become a strong third to end this year with the largest net absorption and the lowest availability rate.

FIGURE 2: Net Absorption and Availability Rate



Source: CBRE Research, Q4 2023

FIGURE 3: Industrial Job Growth



Source: DBEDT, 2023

Lease Rates

Average net asking rate statewide increased slightly from last quarter to \$1.49/SF. Oahu is slightly below the average at \$1.46/SF and remained at the same rate as the previous quarter, while Maui is at \$1.38/SF, down from \$1.42/SF the prior quarter. Kauai and the Big Island are above the statewide average. Kauai increased from \$1.75/SF in Q3 2023 to \$1.90/SF in Q4 2023, while the Big Island increased from \$1.82/SF in Q3 2023 to \$1.94/SF in Q4 2023. Average operating expenses remained the same as last quarter at \$0.43/SF. \*With limited data points for Kauai and the Big Island, representatives in the field have confirmed that leases are transacting closer to \$1.22/SF for Kauai and \$1.30/SF for the Big Island.

Availability & Vacancy

The statewide average availability rate is at 1.4%

- Oahu’s availability rate decreased to 1.8%
- Maui increased to 0.5%
- Kauai increased to 1.2%
- Big Island decreased to 0.5%

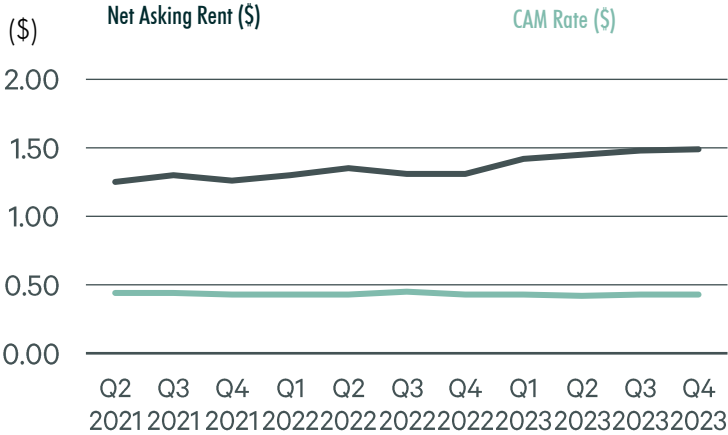
Year over year, all islands had a decrease in availability rate of 1.00-3.10% except Kauai, which had an 0.80% increase in availability rate, when compared to their Q4 2022 averages.

*\*Actual availability may still be much lower given that landlords are marketing properties well before they can become vacant. Maui, with the most comparable Gross Average Asking Rent structure to Oahu, is at a 0.5% availability rate.*

Net Absorption

Net absorption statewide is at positive 68,878 SF this quarter compared to the positive net absorption of 37,466 SF for Q3 2023. In comparison to recent years, net absorption was at the lowest in 2020 at negative 268,802 SF and peaked in 2021 at positive 464,561 SF. Net absorption for 2019 was at positive 77,868 SF.

FIGURE 4: CAM & Asking Rates



Source: CBRE Research, Q4 2023

FIGURE 5: Availability Rate Year-Over-Year

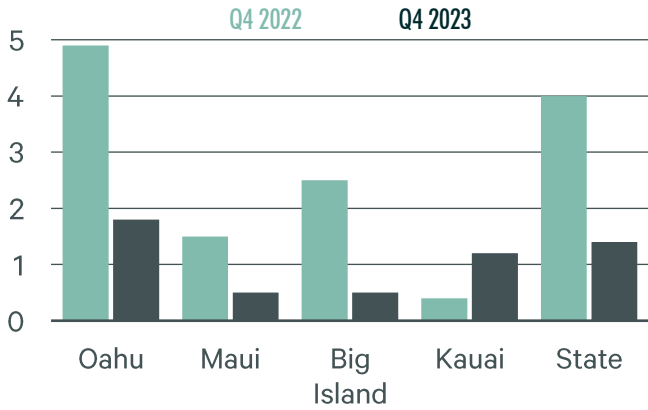
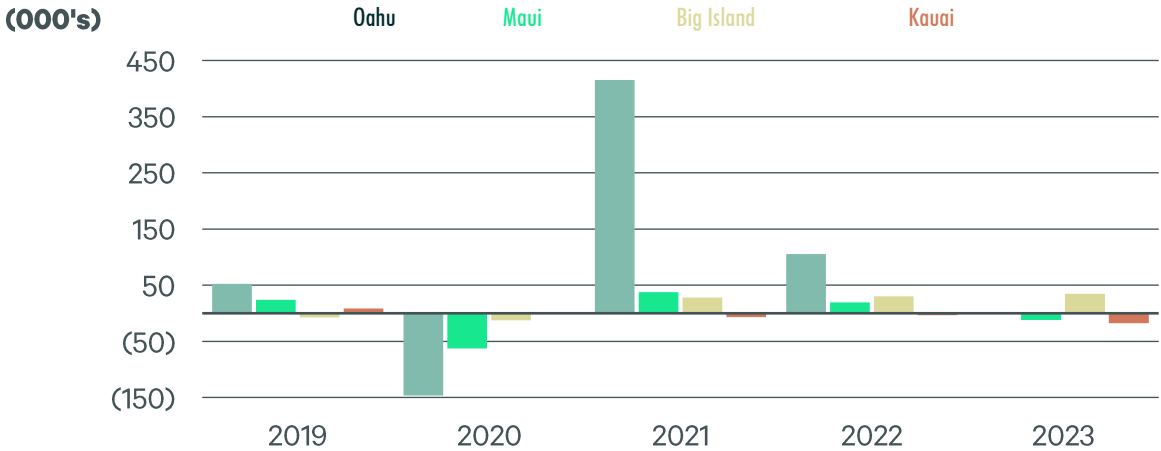


FIGURE 6: YTD Net Absorption by Island (Sq.ft)



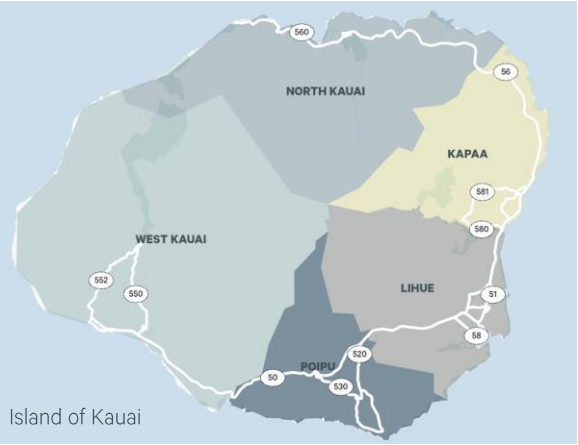
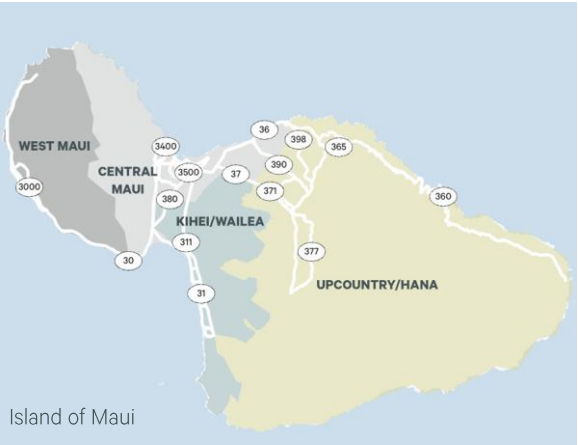
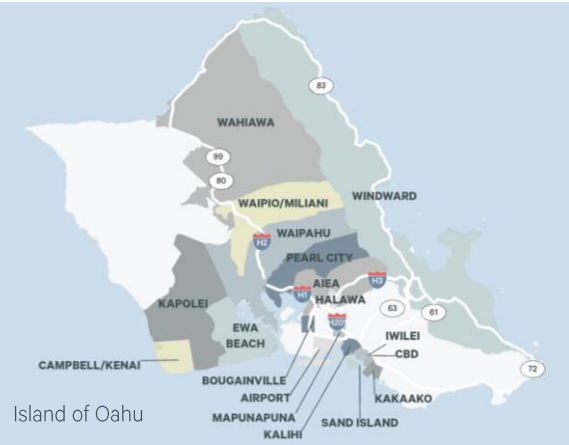
Source: CBRE Research, Q4 2023

FIGURE 6: Market Statistics

Submarket	Net Rentable Area (SF)	Available Area (SF)	Availability Rate (%)	Operating Expenses (\$/SF/Month)	Net Average Asking Rent (\$/SF/Month)	Gross Average Asking Rent (\$/SF/Month)	Net Absorption Q4 (SF)	Net Absorption YTD (SF)
Kakaako	2,129,129	68,955	3.2	0.48	-	-	-	4,800
Iwilei	2,541,284	67,905	2.7	0.58	1.72	2.30	(765)	(15,382)
Kalihi	9,320,406	180,950	1.9	0.43	1.38	1.81	8,587	(11,162)
Mapunapuna	2,899,057	125,581	4.3	0.42	1.40	1.82	(6,660)	1,489
Airport	3,115,940	28,640	0.9	0.50	1.63	2.12	(4,764)	(11,471)
Bougainville	388,051	-	0.0	-	-	-	-	-
Halawa	1,461,384	15,630	1.1	0.40	1.54	1.94	15,747	5,307
Pearl City	3,666,488	31,215	0.9	0.41	1.48	1.89	-	25,955
Waipio	1,936,581	21,448	1.1	0.50	1.37	1.87	-	-
Waipahu	3,271,882	61,580	1.9	0.44	1.47	1.90	16,785	792
Kapolei	2,264,649	24,489	1.1	0.44	1.47	1.91	(4,800)	(755)
Campbell	4,005,265	28,445	0.7	0.40	-	-	53,640	17,531
Windward	1,079,413	22,104	2.0	0.50	-	-	-	(16,417)
Islands								
Oahu	38,079,529	676,942	1.8	0.45	1.46	1.91	77,770	687
Maui	8,165,548	40,065	0.5	0.41	1.38	1.79	(9,907)	(11,971)
Big Island	6,143,962	30,881	0.5	0.28	1.94	2.22	4,835	34,624
Kauai	1,834,993	21,540	1.2	0.25	1.90	2.15	(3,820)	(17,820)
State	54,224,032	769,428	1.4	\$0.43	\$1.49	\$1.92	68,878	5,520

Source: CBRE Research, Q4 2023

Market Area Overview



Survey Criteria

Market coverage includes all improvements on property that is taxed or zoned for industrial use in Hawaii, excluding yard space, detached second floor office space and buildings under construction.

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