

FIGURES | HAWAII INDUSTRIAL | Q3 2023

Hawaii Industrial: The State of low availability – Where is the vacant land?



Note: Arrows indicate change from previous quarter.

Availability rates drops lower

- Statewide availability rate drops to a low of 1.5%, with Maui at its lowest of 0.4%.

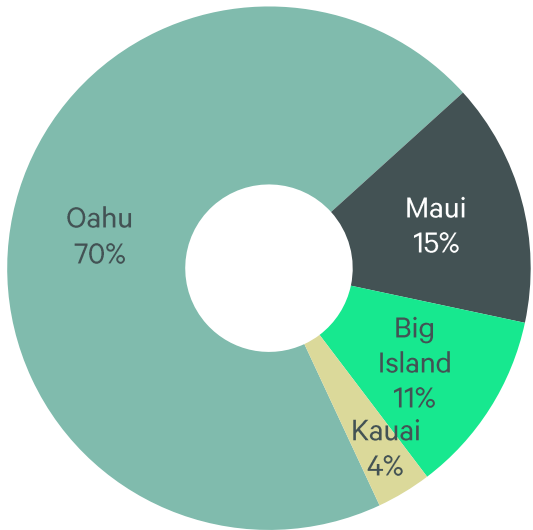
Low availability leads to low net absorption in Q3 2023

- Hawaii's industrial sector experienced 37,466 SF of positive net absorption for Q3 2023, compared to the positive net absorption of 3,380 SF in Q2 2023.

Average net asking lease rates increased while operating expenses increased slightly

- Average net asking rate statewide increased from \$1.45/SF the prior quarter to \$1.48/SF this quarter. Average operating expenses increased slightly to \$0.43/SF.

FIGURE 1: Hawaii Industrial Market Distribution



Source: CBRE Research, Q3 2023.

Market Overview

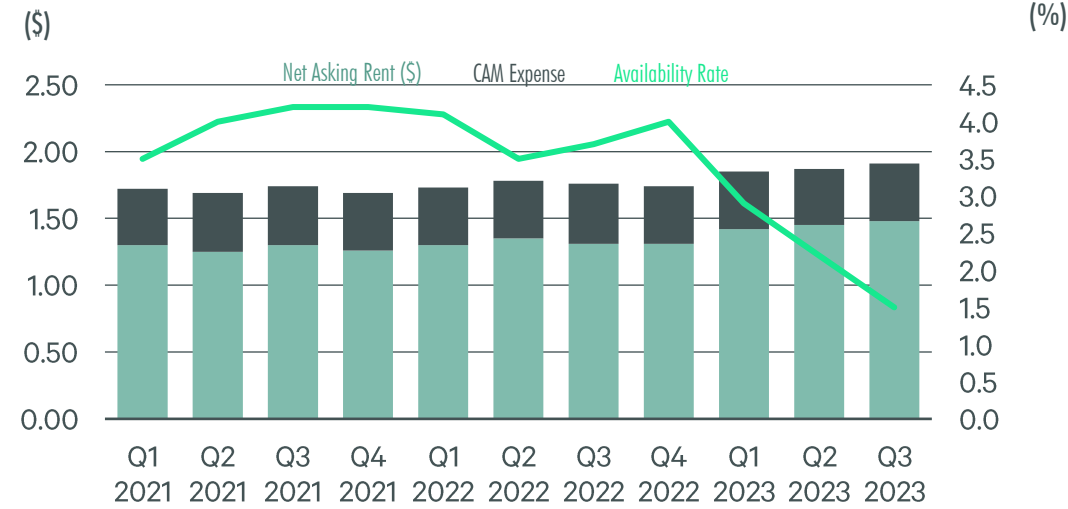
Hawaii’s industrial sector experienced 37,466 SF of positive net absorption for Q3 2023, compared to the positive net absorption of 3,380 SF in Q2 2023. On Oahu, the submarkets of Kapolei, Airport, and Kalihi led with positive absorption, while Campbell led the negative absorption. This negative absorption was due to new inventory that came online in the Campbell area. Of all the islands, the Big Island of Hawaii had the strongest positive net absorption this quarter; about evenly split between Kona and Hilo. Statewide availability rate dropped to a low of 1.5%, with Maui at its lowest of 0.4% after the Lahaina fire on August 8, 2023. Average net asking lease rates increased from \$1.45/SF in Q2 2023 to \$1.48/SF in Q3 2023.

With regards to vacant industrial lands statewide, there are approximately 4,486 parcels, 1,046 parcels of which are leasehold, 1,082 of which are government owned. These are distributed across the islands as follows:

Island	Total Parcels	Leasehold	Government Owned
Oahu	2,515	686	506
Maui	469	28	30
Big Island	964	209	268
Kauai	538	123	278

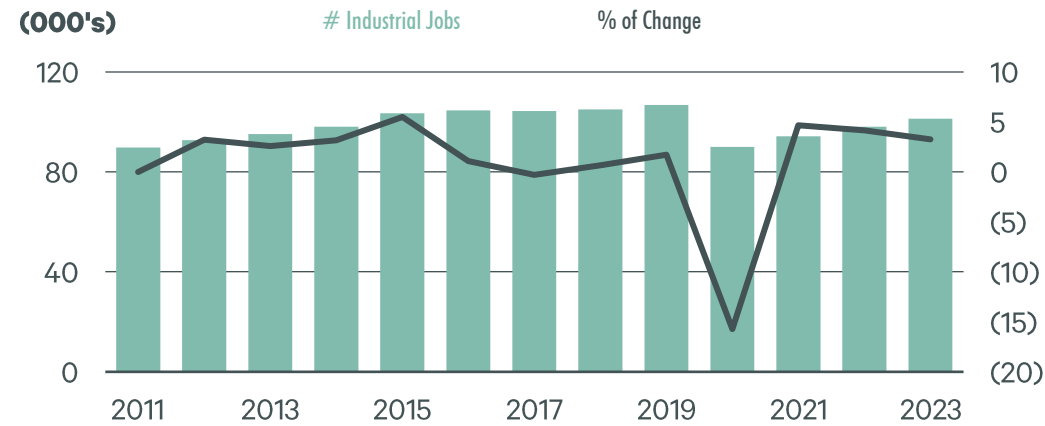
Across the nation, public and private partnerships are being established to expedite programs that provides goods and services to meet the demand of the community. i.e. industrial processing of agricultural products grown locally to lessen the dependence on global supply chains. This land could be repurposed with the support of government subsidies and more efficient building permit process, and not have to just rely on the return of traditional price discovery between private land sellers and buyers.

FIGURE 2: Net Absorption and Availability Rate



Source: CBRE Research, Q3 2023

FIGURE 3: Industrial Job Growth



Source: DBEDT, 2023

Lease Rates

Average net asking rate statewide increased from \$1.45/SF the prior quarter to \$1.48/SF this quarter. Oahu is slightly below average at \$1.46/SF while Maui is at \$1.42/SF. Kauai and the Big Island are above the statewide average. Kauai increased from \$1.63/SF in Q2 2023 to \$1.75/SF in Q3 2023, while the Big Island increased from \$1.70/SF for Q2 2023 to \$1.82/SF for Q3 2023. Average operating expenses increased slightly to \$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 1.5%

- Oahu’s availability rate decreased to 1.9%
- Maui decreased to 0.4%
- Kauai decreased from 0.9% to 0.8% from the prior quarter
- Big Island decreased to 0.6%

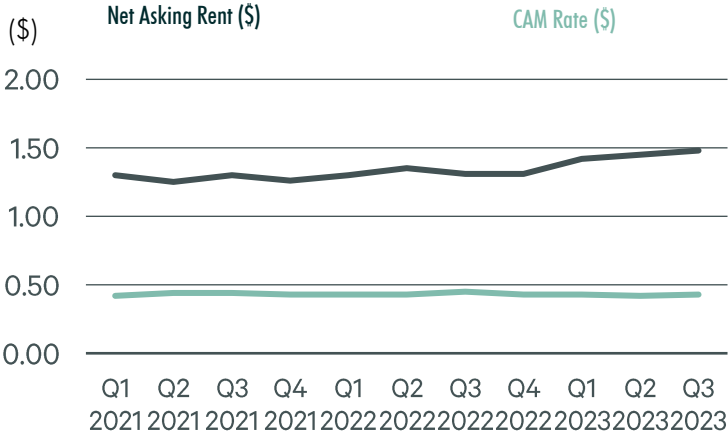
Year over year, all islands had a decrease in availability rate of 1.0-2.80% except Kauai, which had an 0.40% increase in availability rate, when compared to their Q3 2022 averages.

**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, drops further to a 0.4% availability rate after the August 8, 2023 fire.*

Net Absorption

Net absorption statewide is at positive 37,466 SF this quarter compared to the positive net absorption of 3,380 SF for Q2 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, Q3 2023

FIGURE 5: Availability Rate Year-Over-Year

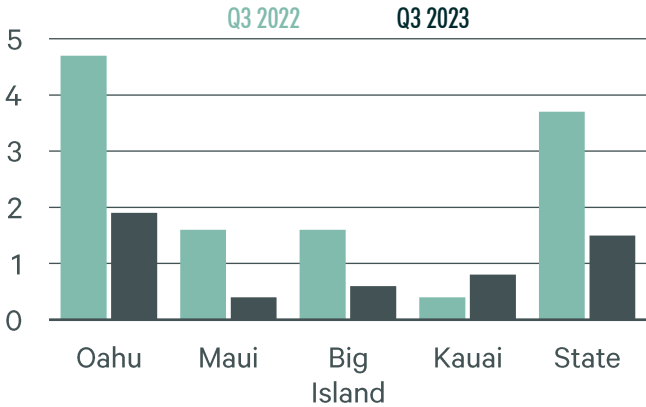
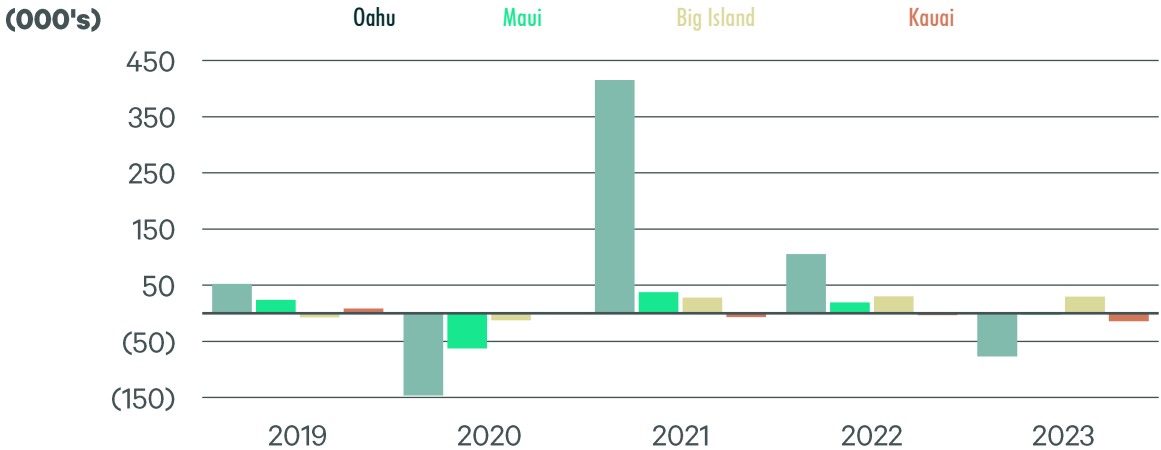


FIGURE 6: YTD Net Absorption by Island (Sq.ft)



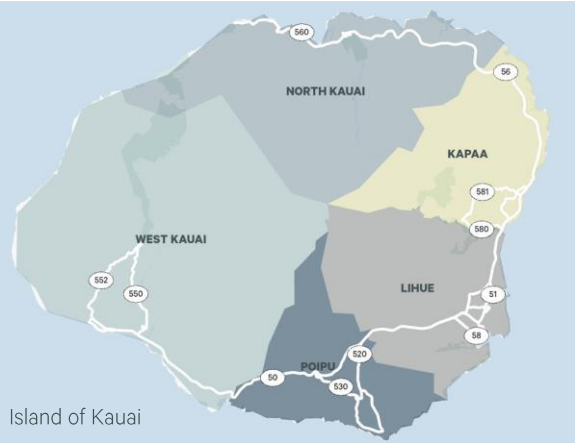
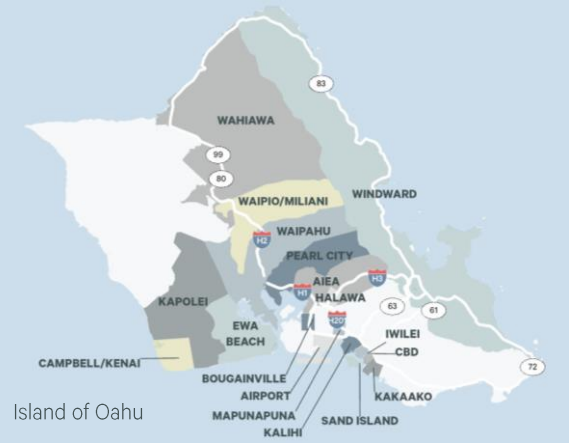
Source: CBRE Research, Q3 2023.

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 Q3 (SF)	Net Absorption YTD (SF)
Kakaako	2,129,129	70,955	3.3	0.48	1.60	2.08	4,800	4,800
Iwilei	2,541,284	67,140	2.6	0.58	1.44	2.02	-	(14,617)
Kalihi	9,320,406	183,227	2.0	0.43	1.38	1.81	15,182	(19,749)
Mapunapuna	2,916,790	125,581	4.3	0.42	1.40	1.82	9,696	8,149
Airport	3,117,404	25,340	0.8	0.50	1.61	2.11	18,000	(6,707)
Bougainville	388,051	-	0.0	-	-	-	-	-
Halawa	1,461,384	33,508	2.3	0.40	1.44	1.84	(660)	(10,440)
Pearl City	3,666,488	31,215	0.9	0.41	1.48	1.89	2,380	25,955
Waipio	1,936,581	21,448	1.1	0.50	1.37	1.87	1,080	-
Waipahu	3,273,346	48,900	1.5	0.44	1.94	2.37	(21,198)	(15,993)
Kapolei	2,264,649	22,089	1.0	0.44	1.46	1.90	26,700	4,045
Campbell	4,005,265	82,085	2.0	0.40	1.35	1.75	(50,340)	(36,109)
Windward	1,079,413	22,104	2.0	0.50	-	-	-	(16,417)
Islands								
Oahu	38,100,190	733,592	1.9	0.45	1.46	1.91	5,640	(77,083)
Maui	8,165,548	30,158	0.4	0.41	1.42	1.83	6,446	(2,064)
Big Island	6,143,962	35,716	0.6	0.28	1.82	2.10	25,380	29,789
Kauai	1,834,993	14,000	0.8	0.25	1.75	2.00	-	(14,000)
State	54,244,693	813,466	1.5	\$0.43	\$1.48	\$1.91	37,466	(63,358)

Source: CBRE Research, Q3 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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