

Hawaii Industrial: Persistently Low Availability Leads to Spec & Built-To-Suit Developments



Note: Arrows indicate change from previous quarter.

Availability rates remain low

- Most submarkets are experiencing negative absorption, with a statewide availability rate of 2.2%

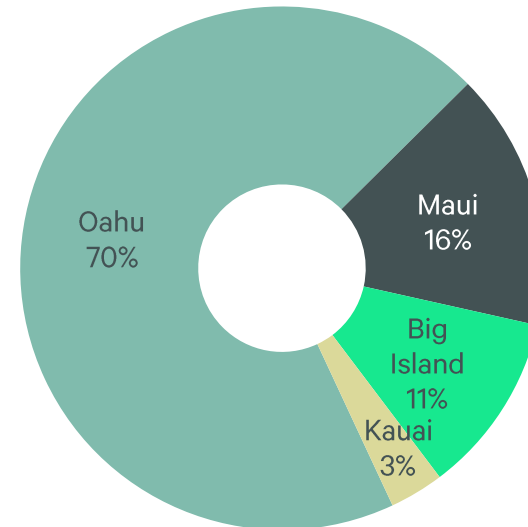
Low availability leads to low net absorption in Q2 2023

- Hawaii's industrial sector had a net absorption of 3,380 SF for Q2 2023, compared to the net absorption of (104,204) SF for Q1 2023

Average net asking lease rates increased while operating expenses dropped slightly

- Average net asking lease rates increased from \$1.42/SF in Q1 2023 to \$1.45/SF in Q2 2023. Average operating expenses dropped slightly to \$0.42/SF

FIGURE 1: Hawaii Industrial Market Distribution



Source: CBRE Research, Q2 2023.

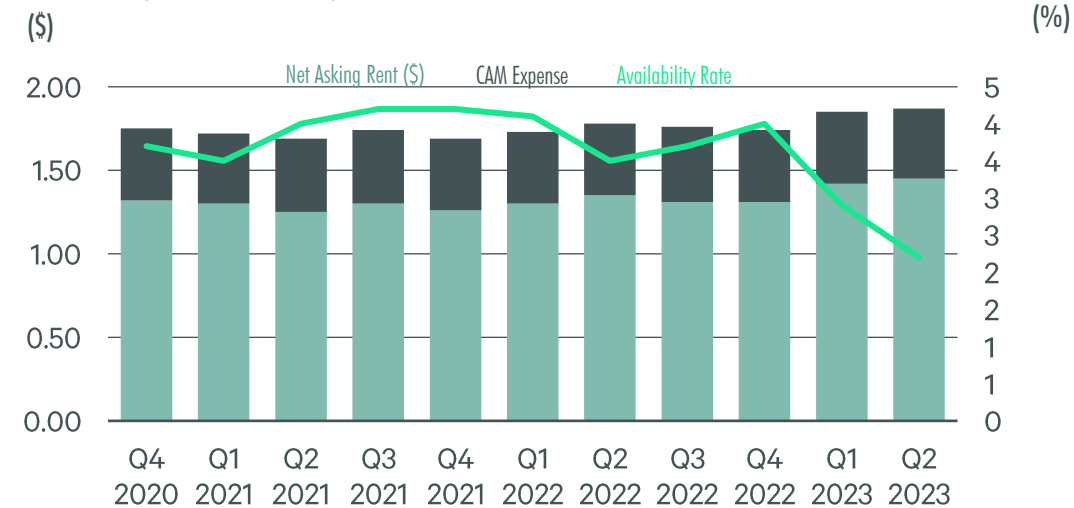
Market Overview

Hawaii’s industrial sector experienced 3,380 SF of net absorption for Q2 2023, compared to the net absorption of (104,204) SF in Q1 2023. Most submarkets are experiencing negative absorption, with a statewide availability rate of 2.2%. Average net asking lease rates increased from \$1.42/SF in Q1 2023 to \$1.45/SF in Q2 2023.

Q2 2023 marked the 4th consecutive quarter of negative or low net absorption with low availability rate, and a limit on upward pricing because of the suitability of the remaining inventory on the market. Kalihi is the submarket with the highest Net Rentable Area with relatively older warehouses. Halawa and Mapunapuna are submarkets where landlords are subjected to ground lease rents. Landlords are also marketing properties in Mapunapuna well before they become vacant. Maui, the 2nd most urbanized island is at a 1.0% availability rate.

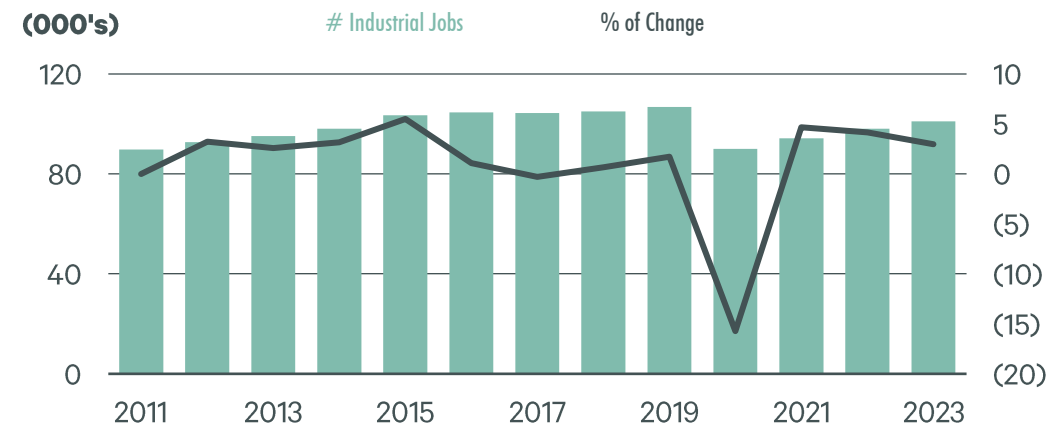
The Kapolei Harborside and Maui Airport Industrial developments are the newest developments offering Class A industrial warehouses. Both projects are developments that aim to meet local demand for Class A warehousing/logistics/distribution with national trends in mind. While the Maui property is built-to-suit, Kapolei Harborside is building +/-100k of speculative space with possible built-to-suit on future buildings. These new developments will be high cube and meet high-power requirements (i.e., for cold storage) with solar power systems. They are designed to keep costs low and increase energy efficiency and overall efficiency in industrial logistics. In contrast, the majority of Hawaii industrial properties were built over 30 years ago, have not been updated, offering low clearance and pitch roofs, minimal yard/parking area, and limited dock loading ability.

FIGURE 2: Net Absorption and Availability Rate



Source: CBRE Research, Q2 2023

FIGURE 3: Industrial Job Growth



Source: DBEDT, 2023

Lease Rates

Average net asking rate statewide increased from \$1.42/SF the prior quarter to \$1.45/SF this quarter. Oahu is slightly below average at \$1.43/SF while Maui is at \$1.40/SF. Kauai and the Big Island are above the statewide average. Kauai jumped from \$1.06/SF in Q1 2023 to \$1.63/SF in Q2 2023, while the Big Island increased from \$1.35/SF for Q1 2023 to \$1.70/SF for Q2 2023. Average operating expenses dropped slightly to \$0.42/SF.

Availability & Vacancy

The statewide average availability rate is at 2.2%

- Oahu’s availability rate decreased to 2.7%
- Maui remained at 1.0%
- Kauai increased from 0.4% to 0.9% from the prior quarter
- the Big Island decreased to 1.3%

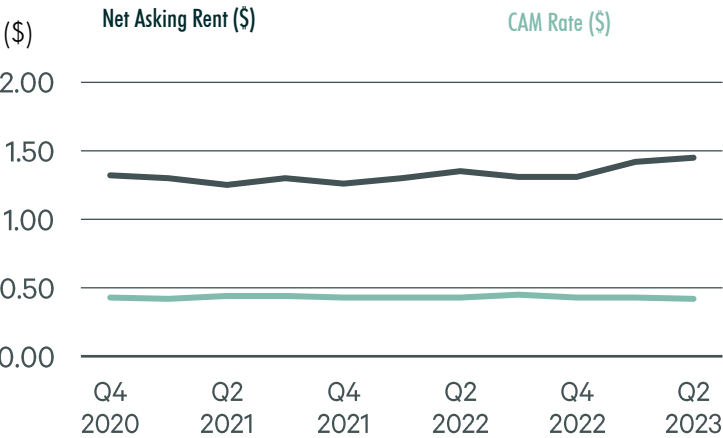
Year over year, all islands had a decrease in availability rate of 0.50-1.60% except Kauai, which had an 0.10% increase in availability rate, when compared to their Q2 2022 averages.

**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 1.0% availability rate.*

Net Absorption

Net absorption statewide is at 3,380 SF this quarter compared to the net absorption of (104,204) SF for Q1 2023. In comparison to recent years, net absorption was at the lowest in 2020 at (268,802) SF and peaked in 2021 at 464,561 SF. Net absorption for 2019 was at 77,868 SF.

FIGURE 4: CAM & Asking Rates



Source: CBRE Research, Q2 2023

FIGURE 5: Availability Rate Year-Over-Year

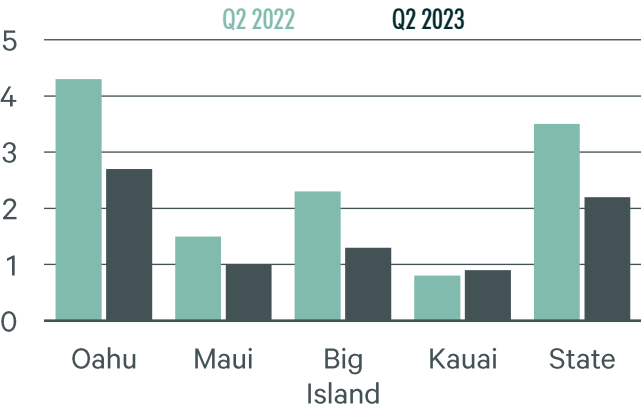
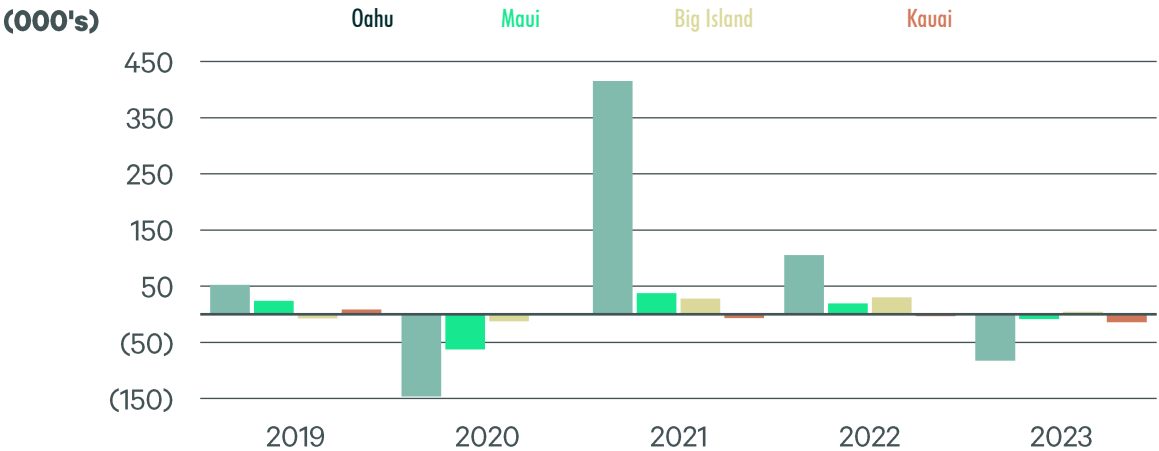


FIGURE 6: YTD Net Absorption by Island (Sq.ft)



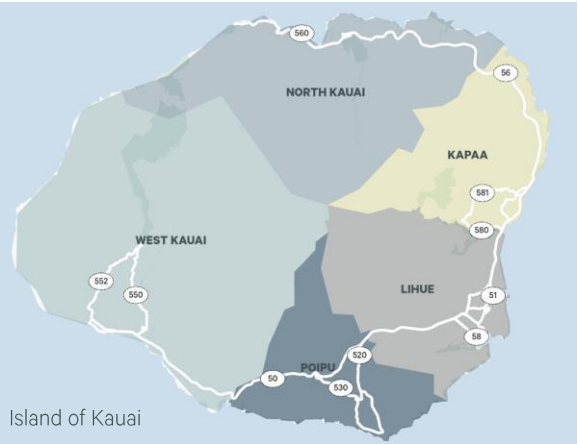
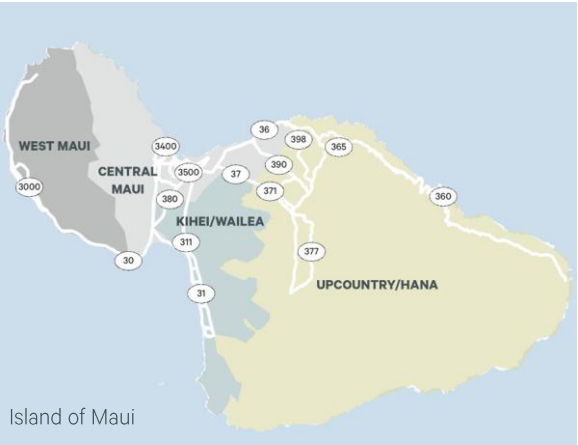
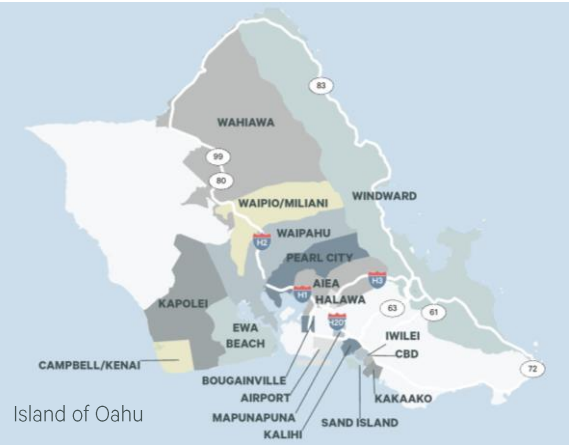
Source: CBRE Research, Q2 2023.

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 Q2 (SF)	Net Absorption YTD (SF)
Kakaako	2,129,129	91,606	4.3	0.48	1.31	1.79	-	-
Iwilei	2,541,284	76,449	3.0	0.58	1.40	1.98	(4,831)	(14,617)
Kalihi	9,788,136	270,421	2.8	0.42	1.42	1.84	(36,169)	(34,931)
Mapunapuna	2,916,790	148,185	5.1	0.42	1.57	1.99	3,599	(1,547)
Airport	3,117,404	57,909	1.9	0.50	1.51	2.01	(707)	(24,707)
Bougainville	388,051	5,118	1.3	-	-	-	-	-
Halawa	1,461,384	47,520	3.3	0.40	1.41	1.81	(7,940)	(9,780)
Pearl City	3,666,488	68,139	1.9	0.41	1.43	1.85	25,782	23,575
Waipio	1,936,581	37,680	1.9	0.50	1.43	1.93	4,995	(1,080)
Waipahu	3,280,374	49,964	1.5	0.44	1.50	1.93	7,475	5,205
Kapolei	2,655,301	69,509	2.6	0.47	1.34	1.81	(4,489)	(22,655)
Campbell	4,005,265	90,285	2.3	0.40	1.34	1.74	26,739	14,231
Windward	1,079,413	37,794	3.5	0.50	-	-	(9,600)	(16,417)
Islands								
Oahu	38,965,600	1,050,579	2.7	0.45	1.43	1.88	4,854	(82,723)
Maui	8,780,622	86,844	1.0	0.41	1.40	1.81	(3,460)	(8,510)
Big Island	6,143,962	82,564	1.3	0.28	1.70	1.98	15,986	4,409
Kauai	1,834,993	17,020	0.9	0.25	1.63	1.88	(14,000)	(14,000)
State	55,725,177	1,237,007	2.2	\$0.42	\$1.45	\$1.86	3,380	(100,824)

Source: CBRE Research, Q2 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.

Honolulu – Bishop Square

1003 Bishop St, Suite 1800
Honolulu, HI 96813
+1 808 521 1200

Blair Bonuccelli

Managing Director
Blair.Bonuccelli@cbre.com

Zach DiSalvo

Field Research Manager
Zach.DiSalvo@cbre.com

Maggie Lui

Field Research Analyst
Maggie.Lui@cbre.com

© Copyright 2023. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

