

FIGURES | HAWAII INDUSTRIAL | Q2 2024

# Hawaii Industrial: Instrumental for the Islands' Economic Diversification



Note: Arrows indicate change from previous quarter.

## Availability rates increased slightly

- Statewide availability rate increased slightly from 1.5% to 1.6% in Q2 2024.

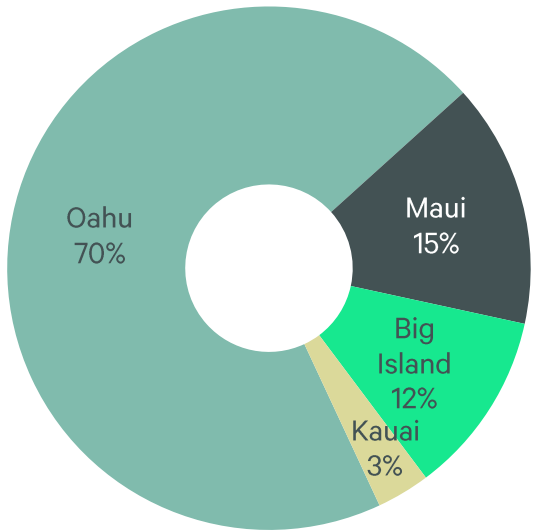
## Continued low availability and negative absorption in Q2 2024

- Hawaii's industrial sector experienced negative net absorption of 12,439 for Q2 2024 compared to 106,996 SF of negative net absorption for Q1 2024.

## Average net asking lease rates and operating expenses remain the same

- Average net asking lease rates and average operating expenses remained the same at \$1.46/SF and \$0.43/SF for Q2 2024.

FIGURE 1: Hawaii Industrial Market Distribution



Source: CBRE Research, Q2 2024.

Market Overview

Hawaii’s industrial sector experienced 12,439 SF of negative net absorption for Q2 2024, compared to the negative net absorption of 106,996 SF in Q1 2024. On Oahu, the only submarkets with positive net absorption was Kapolei and the Airport area. Kapolei was at a 1.7% availability rate and \$1.35/SF average net asking lease rate, while the Airport area was at a 0.9% availability rate and \$1.53/SF average net asking lease rate. This places Kapolei and Airport below the Oahu’s average availability rate, Kapolei below and the Airport area above Oahu’s and the State’s average net asking lease rate. The only island with positive net absorption was the Big Island with an availability rate at 1.0%, up from the prior quarter at 0.8% and the lowest average net asking lease rate on all islands. Statewide availability rate increased from 1.5% to 1.6% this quarter, with Kauai and Maui at the lowest of 0.8% and 0.5%. Average net asking lease rates remained steady at \$1.46/SF compared to prior quarter.

According to a recent report by UHERO ‘Potential opportunities to diversify the economy of Hawai’i’: “As a result of tourism’s dominance, Hawai’i’s economy faces short-term risks from shocks that impact visitor numbers and long-term stagnation from flat and volatile tourism spending over the last three decades. In response to these issues, policymakers in Hawai’i increasingly emphasize the need to diversify.” The report encourages a strategic approach, and collaboration between government policy and entrepreneurial activities. Perhaps in re-zoning some areas and subsidizing certain sectors ie. food production, distribution/logistics, recreation, with a foundation in manufacturing. The following are opportunities respective to the islands:

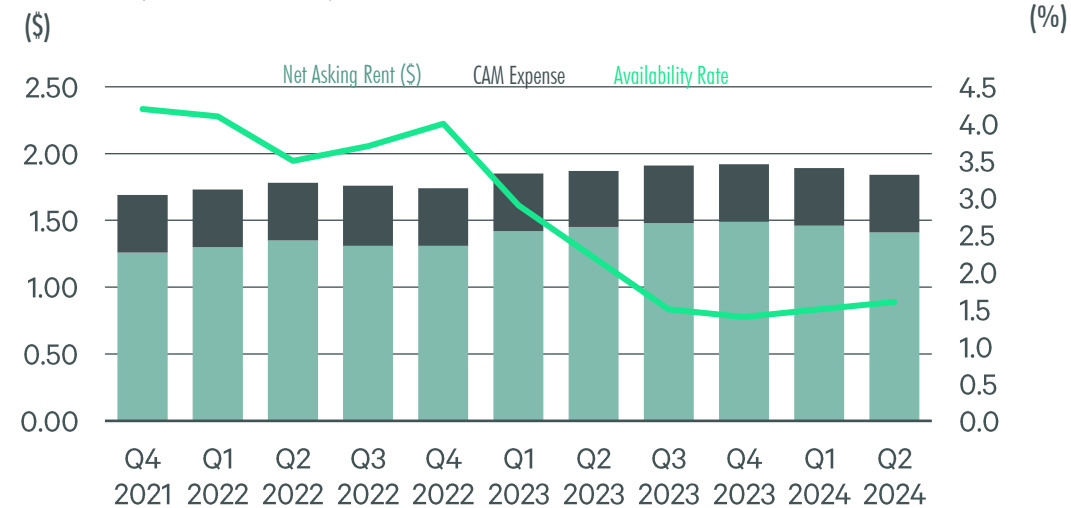
Oahu: Shellfish Fishing & Seafood Product Preparation & Packaging, Boat Building, Marinas & Scenic & Sightseeing Transportation

Maui: Finfish Fishing & Shellfish Fishing, Boat Building, Marinas & Scenic & Sightseeing Transportation, Fruit & Tree Nut Combination Farming

Kauai: limited opportunities due to low population density – best strategy leveraging proximity to neighbor islands to diversify residents’ job prospects

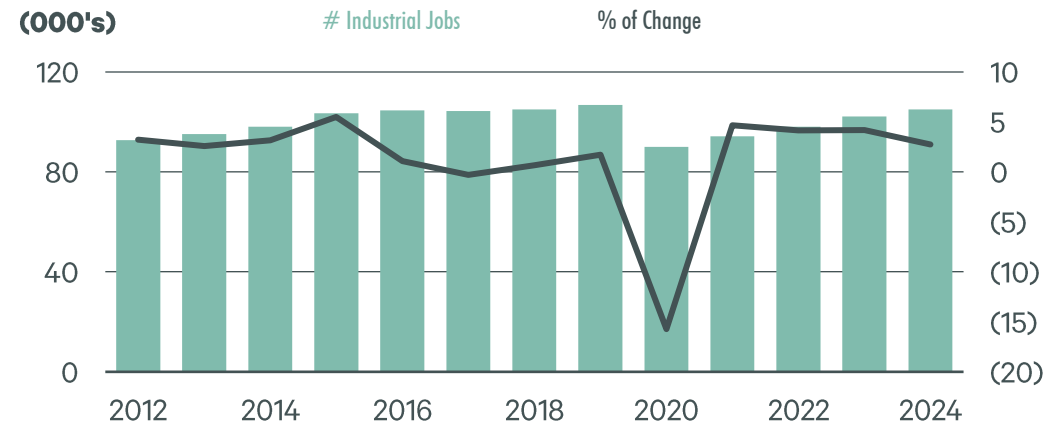
The Big Island: Fishing & Aquaculture including Finfish Fishing, Shellfish Fishing, & Finfish Farming & Hatcheries, Boat Building, Marinas, RV Parks, Campgrounds, other Recreation & Vacation Camps, Logging w/suitability of existing forests, Rice Farming, Wineries

FIGURE 2: Net Absorption and Availability Rate



Source: CBRE Research, Q2 2024

FIGURE 3: Industrial Job Growth



Source: DBEDT, 2024

Lease Rates

Average net asking rate statewide remained the same as prior quarter at \$1.46/SF. Oahu is above the average at \$1.49/SF, up from \$1.44/SF, while Maui is at \$1.37/SF, down from \$1.40/SF, and the Big Island is at \$1.09/SF, down from \$1.65/SF the prior quarter. Kauai remained at \$1.90/SF and is above the statewide average. 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 \$1.40/SF for Kauai and Big Island has gained momentum to \$1.45/SF.

Availability & Vacancy

The statewide average availability rate is at 1.6%

- Oahu’s availability rate increased slightly to 1.9%
- Maui decreased slightly to 0.5%
- Kauai decreased from 1.3% to 0.8%
- Big Island increased from 0.8% to 1.0%

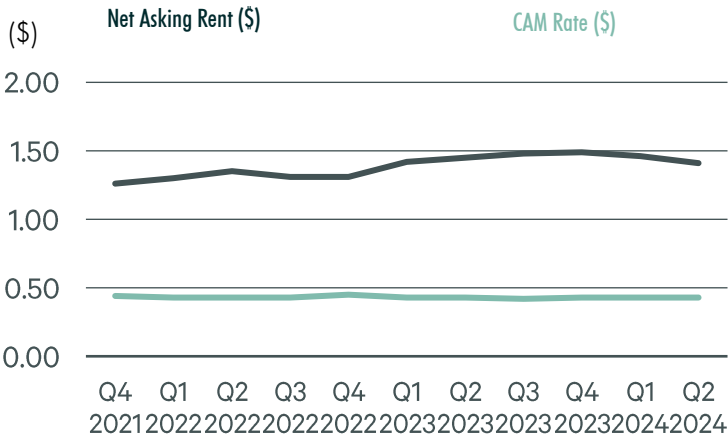
Year over year, all islands had a decrease in availability rate of 0.10-0.80% when compared to their Q2 2023 averages.

*\*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 negative 12,439 SF this quarter compared to the negative absorption of 106,996 SF for Q1 2024. 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, Q2 2024

FIGURE 5: Availability Rate Year-Over-Year

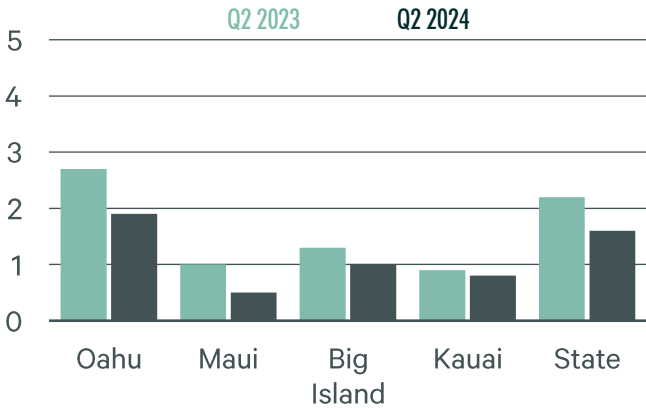
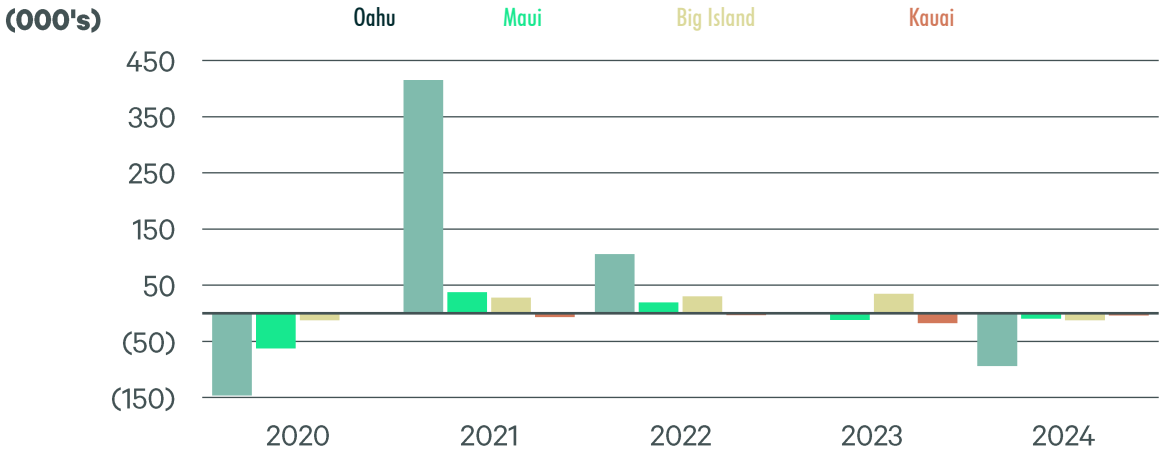


FIGURE 6: YTD Net Absorption by Island (Sq.ft)



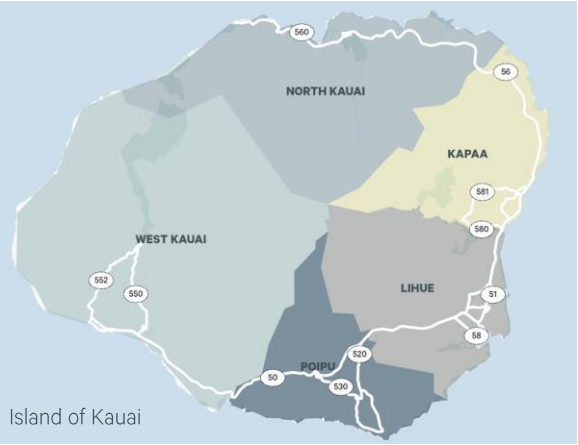
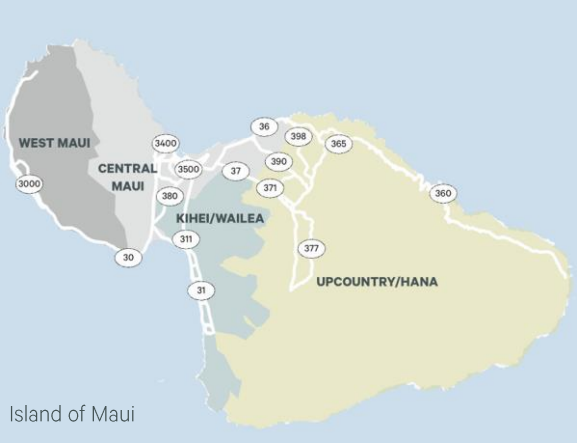
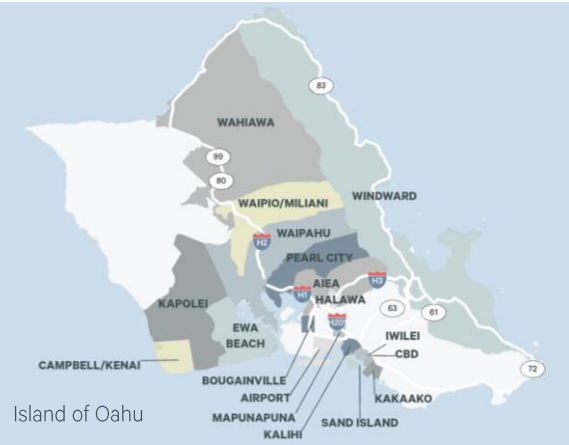
Source: CBRE Research, Q2 2024

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              | 71,361              | 3.4                   | 0.48                             | 2.25                                  | 2.73                                    | -                      | -                       |
| Iwilei       | 2,541,284              | 100,441             | 4.0                   | 0.58                             | 1.30                                  | 1.89                                    | -                      | 1,296                   |
| Kalihi       | 9,323,186              | 221,991             | 2.4                   | 0.43                             | 1.38                                  | 1.81                                    | (14,602)               | (72,709)                |
| Mapunapuna   | 2,880,523              | 71,421              | 2.5                   | 0.42                             | 1.40                                  | 1.82                                    | -                      | 2,787                   |
| Airport      | 3,077,413              | 27,076              | 0.9                   | 0.50                             | 1.53                                  | 2.02                                    | 1,832                  | (579)                   |
| Bougainville | 376,753                | 15,005              | 4.0                   | -                                | 1.65                                  | -                                       | (925)                  | (925)                   |
| Halawa       | 1,461,384              | 13,152              | 0.9                   | 0.40                             | 1.54                                  | 1.94                                    | -                      | 2,478                   |
| Pearl City   | 3,665,288              | 51,423              | 1.4                   | 0.41                             | 1.45                                  | 1.86                                    | (1,628)                | (21,408)                |
| Waipio       | 1,922,269              | 27,348              | 1.4                   | 0.50                             | 1.39                                  | 1.89                                    | (2,300)                | (2,300)                 |
| Waipahu      | 3,257,905              | 19,995              | 0.6                   | 0.44                             | 1.42                                  | 1.86                                    | -                      | 19,759                  |
| Kapolei      | 2,265,423              | 39,379              | 1.7                   | 0.44                             | 1.35                                  | 1.79                                    | 8,400                  | 11,574                  |
| Campbell     | 4,005,265              | 59,061              | 1.5                   | 0.40                             | 1.51                                  | 1.91                                    | (8,802)                | (31,589)                |
| Windward     | 1,079,413              | 22,368              | 2.1                   | 0.50                             | -                                     | -                                       | -                      | (2,364)                 |
| Islands      |                        |                     |                       |                                  |                                       |   |                        |                         |
| Oahu         | 37,985,235             | 740,021             | 1.9                   | 0.45                             | 1.49                                  | 1.94                                    | (18,025)               | (93,980)                |
| Maui         | 8,165,548              | 43,178              | 0.5                   | 0.41                             | 1.37                                  | 1.78                                    | (1,130)                | (9,363)                 |
| Big Island   | 6,137,962              | 58,880              | 1.0                   | 0.28                             | 1.09                                  | 1.37                                    | 6,716                  | (12,272)                |
| Kauai        | 1,779,672              | 13,816              | 0.8                   | 0.25                             | 1.90                                  | 2.15                                    | -                      | (3,820)                 |
| State        | 54,068,417             | 855,895             | 1.6                   | \$0.43                           | \$1.46                                | \$1.89                                  | (12,439)               | (119,435)               |

Source: CBRE Research, Q2 2024

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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