



ON REAL ESTATE

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ON HAWAII'S ...

INDUSTRIAL MARKET ...

A BUSY Q3

Hawaii's industrial real estate market saw the strongest leasing activity of the year in the third quarter, as the availability rate dropped to 1.9 percent.

A total of 590,861 square feet was leased in 106 transactions during the quarter, with smaller warehouse spaces on short-term leases dominating the market. That resulted in positive absorption, or space occupied, of 77,419 square feet statewide.

Oahu, which has 70 percent of the industrial real estate market in Hawaii, saw strong gains in its Pearl City-Aiea submarket, which had the highest level of leasing activity during the quarter of 155,106 square feet in eight transactions.

On the Neighbor Islands, the Big Island had leasing activity totaling 84,327 square feet, while Maui had 60,582 square feet.

Net rents increased to \$1.20 per square foot statewide, a 2 percent increase. Oahu's rate was also at \$1.20 per square foot. Among submarkets, net rates for the Pearl City-Aiea and Waipio-Milliani submarkets rose 6 percent to \$1.47 per square foot and 92 cents per square foot, respectively, while the Windward Oahu rates fell by 3 percent.

OFFICE MARKET ...

SLIGHT Q3 GAINS

The Honolulu office real estate market was marked by a slight decline in the statewide vacancy rate to 14.3 percent, stable rental rates and a slow rate of absorption, or the change in occupied space during the quarter.

Net asking rents and operating expenses increased by less than 1 percent, and the positive absorption, or space occupied, of 22,788 square feet was the slowest of any quarter this year.

The bulk of that space was in the Kapiolani submarket, which posted 39,162 square feet of occupancy, the bulk of that the Hawaii Medical Service Association's lease of some 35,000 square feet in the building at 1601 Kapiolani Blvd.

The Kapiolani market's vacancy rate decreased to 13.5 percent for the quarter, from 14.9 percent in the second quarter, which was still well below the Downtown Honolulu rate of 17.9 percent.

"The trend in Honolulu for years has been a higher vacancy rate in office, but we don't see that as a negative," Serena Longo, vice president of advisory and transaction services at CBRE Hawaii, told Pacific Business News. "It's not a downsizing in employment, it's just a reorganization of how people use their space."

RETAIL MARKET ...

'INCREMENTAL GROWTH'

Hawaii's statewide retail real estate vacancy rate was unchanged at 5.8 percent during the third quarter, as landlords and retailers continued to enjoy the benefits of record tourism numbers and low unemployment rates, while occupancy gains in neighborhood centers, strip centers and regional malls helped to offset losses in specialty and big box-anchored power centers.

CBRE's report forecasts no major changes to the state's retail landscape, but noted that because it is nearing the end of the current economic cycle that growth will be "at a more incremental rate."

"Things have been really good, and it's been about eight years of really good," Andrew Starn, first vice president of brokerage services at CBRE Hawaii, told Pacific Business News. "We're at a point where we're approaching an average nine-year cycle, so people out there are going everything's great, but it's been great for a long time."

Net asking lease rates decreased to \$5.82 per square foot per month across the state, but that was still above the statewide average of \$5.72 per square foot at the end of 2016.