

Office Market Report

HONOLULU | FIRST QUARTER 2010

“The sizeable loss in occupancy reflects last year’s job outlook. We foresee some market stabilization by year-end.”

- Sean Tadaki (S) CCIM
Vice President
Office Services Division Manager

MARKET INDICATORS

	FIRST QUARTER		
	2008	2009	2010
VACANCY	▲	▲	▲
NET ABSORPTION	▼	▼	▼
CONSTRUCTION	▼	▼	▼
RENTAL RATE	▼	▼	▼

OFFICE HIGHLIGHTS

YTD NET ABSORPTION: (91,752) SF

VACANCY RATE: 10.91%

AVERAGE FULL SERVICE ASKING RENT:
 Islandwide: \$ 2.76 psf/mo
 Class A: \$ 2.95 psf/mo
 Class B: \$ 2.99 psf/mo
 Class C: \$ 2.52 psf/mo

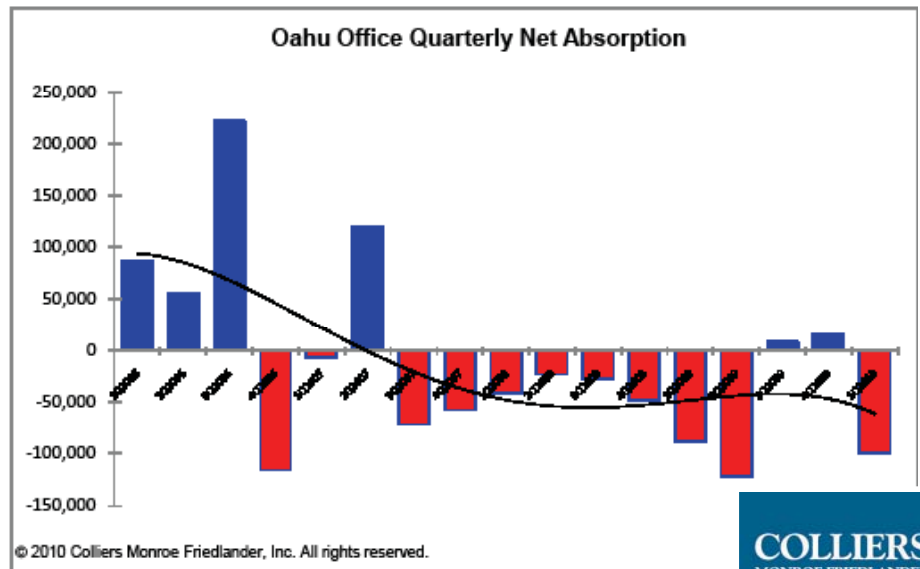
Market Contraction Accelerates

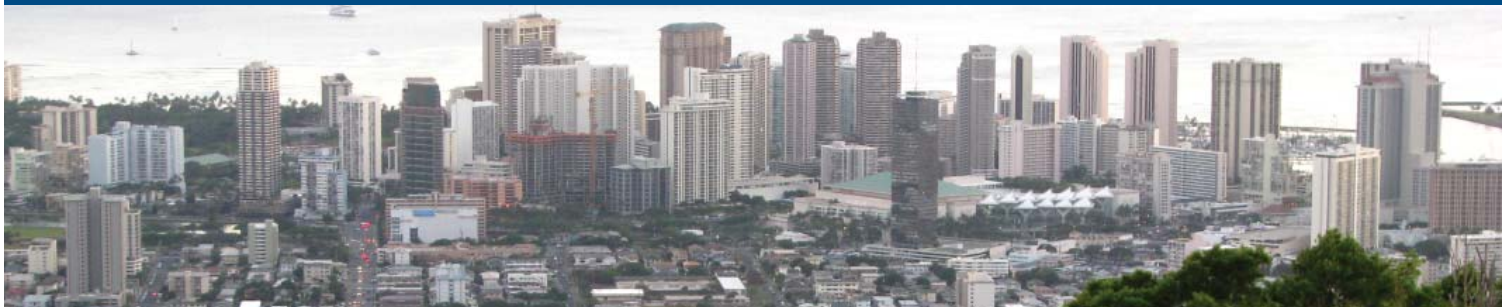
Despite a six-month reprieve from rising vacancy rates during the last half of 2009 when government stimulus funds were used to relocate the Internal Revenue Service and the Immigration and Naturalization Service to private sector office locations, it appears that the office sector has reverted back to its downward trend and further deterioration in occupancy levels.

Honolulu posted more than 90,000 square feet of lost office tenancy during the first quarter of 2010, as many businesses continued to reduce their office space requirements. Vacancy rates rose at an accelerated pace to 10.91% from 10.32% over the past three months as job losses and business consolidations continued to influence

office space leasing decisions. Every office submarket, with the exception of East Oahu, faced an increase in vacancy rates as the economic recession appears to have dampened office space demand.

Office sector job losses continue to mount, having declined by 9,000 jobs from the 2006 record high of 94,500 jobs to 85,500 jobs recorded for February 2010. The Professional and Business Services category posted the largest number of office jobs lost over the past year, roughly 2,500 jobs, and an estimated 5,700 employees cut since 2006. Additionally, employment counts also fell among Information and Financial Services categories.



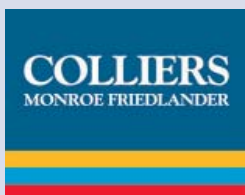


Office Market Statistics

Submarket	Number of Buildings	Total Square Feet	Vacant Space	Vacancy Rate	YTD Net Absorption	Low Average Asking Rent	High Average Asking Rent	Average Operating Expenses
Airport/Mapunapuna	6	814,894	132,444	16.25%	(11,722)	\$1.36	\$1.71	\$0.96
Central Business District	62	8,081,293	908,560	11.24%	(50,183)	\$1.35	\$1.47	\$1.19
East Oahu	14	431,548	35,505	8.23%	7,090	\$1.99	\$2.01	\$1.21
Kakaako/Kapiolani/King	39	3,366,768	304,640	9.05%	(10,843)	\$1.43	\$1.56	\$1.26
Kalihi/Iwilei/Kapalama	9	954,585	95,764	10.03%	(5,843)	\$1.29	\$1.44	\$0.86
Leeward Oahu	15	886,755	48,516	5.47%	(4,339)	\$2.07	\$2.31	\$1.08
Waikiki	10	947,276	174,249	18.39%	(9,860)	\$1.27	\$1.45	\$1.49
Windward Oahu	9	287,964	21,234	7.37%	(6,052)	\$1.65	\$1.74	\$0.99
Totals	164	15,771,083	1,720,912	10.91%	(91,752)	\$1.53	\$1.67	\$1.18

Building Class	Number of Buildings	Total Square Feet	Vacant Space	Vacancy Rate	YTD Net Absorption	Low Average Asking Rent	High Average Asking Rent	Average Operating Expenses
Class A	13	4,716,502	576,119	12.21%	(47,667)	\$1.55	\$1.73	\$1.32
Class B	79	8,179,006	733,834	8.97%	(33,105)	\$1.68	\$1.81	\$1.24
Class C	72	2,875,575	410,959	14.29%	(10,980)	\$1.37	\$1.50	\$1.08
Totals	164	15,771,083	1,720,912	10.91%	(91,752)	\$1.53	\$1.67	\$1.18

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