



Industrial Market Report

HONOLULU | FIRST QUARTER 2011

“Please, no more black swans.”

- Scott L. Mitchell (B) SIOR
Executive Vice President

MARKET INDICATORS

	FIRST QUARTER		
	2010	2011	2012
VACANCY	▲	▲	◆
NET ABSORPTION	▼	▼	◆
CONSTRUCTION	◆	◆	◆
RENTAL RATE	▼	▼	◆

INDUSTRIAL HIGHLIGHTS

YTD NET ABSORPTION: **(33,151) SF**

VACANCY RATE: **4.83 %**

DIRECT WEIGHTED
AVERAGE ASKING
RATE NNN: **\$ 0.93 PSF/MO**

AVERAGE OPERATING
EXPENSE: **\$ 0.34 PSF/MO**

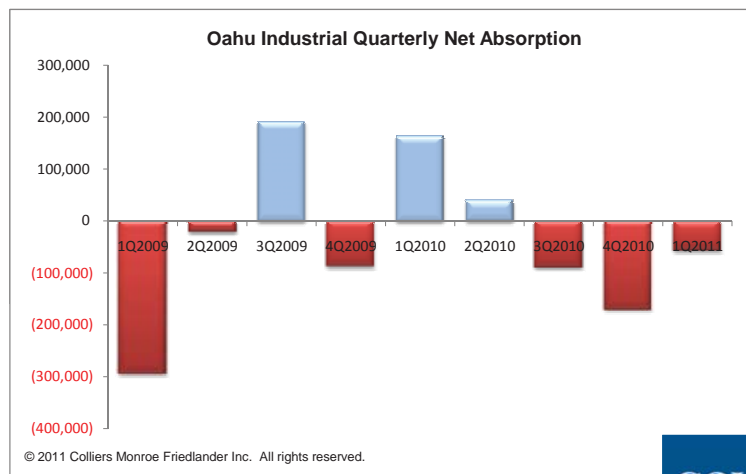
Industrial Market Returns to Pre-boom Era

Honolulu's industrial sector continued its three-quarter trend of rising vacancy rates by posting negative net absorption of 33,151 square feet and a 4.83% vacancy rate. For the past eight quarters, vacancy rates have fluctuated between 4.0% and 5.0% and market conditions had begun to stabilize as rental rates returned to pre-boom levels. First quarter 2011 industrial direct weighted average asking rents declined by 7.0% over the past quarter to \$0.93 per square foot per month (“psf/mo”).

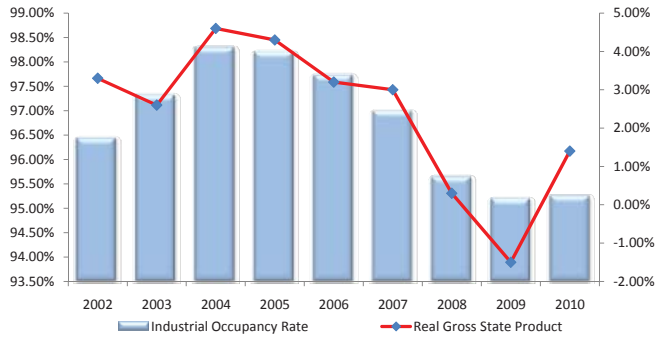
Raging Middle East conflicts, repercussions of the Japanese earthquake and tsunami, and the

stagnant local economy weighed heavily on the psyche of Hawaii's consumers. The consensus opinion among Colliers' industrial brokers is that the recent events in Japan will not have a substantive impact on their sector in the long run. Most express cautious optimism that any downturns that their clients may experience will be short-lived.

Generally, the Oahu industrial market is not as vulnerable to the shocks that have occurred in the travel sector. A better indication of the direction the industrial market is headed is the overall growth of the State's economy.



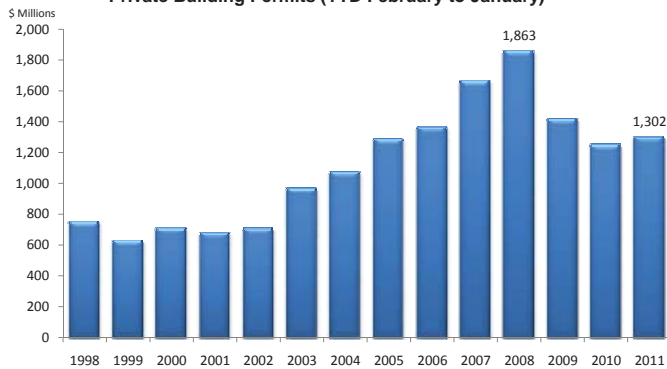
Industrial Occupancy Rate vs. Real Gross State Product (GSP) Rate



Source: State of Hawaii, Colliers Monroe Friedlander

The Industrial Occupancy Rate vs. Real Gross State Product (GSP) Rate chart provides a more robust forecasting tool of the likely direction that the industrial sector will follow. If growth is positive, the industrial market typically benefits. The State experienced GSP growth of 1.4% in 2010. Unfortunately, the State Council on Revenues, which forecasts tax revenues for the State of Hawaii, projected a 1.2% decline in collections for 2011. Additionally, downward adjustments are likely to be made to the State's GSP forecast for 2011.

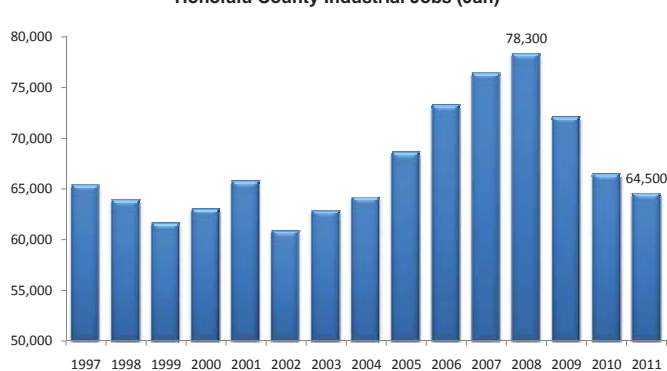
Private Building Permits (YTD February to January)



Source: DBEDT

The amount of cargo shipments to Hawaii is a good measure of the potential slowdown in industrial activity resulting from the crisis in Japan. Since Hawaii receives the bulk of its goods through ports, any downturn will likely result in negative impact to the island's warehousing sector. Foreign inbound cargo through Honolulu's harbors fell by 15.6% from its 2008 peak of 1.49 million short tons to 1.26 million short tons for 2010. This coincided with the 16.0% drop in total inbound cargo (domestic and foreign). Foreign car shipments, which constitute a large block of cargo tonnage to Honolulu, is anticipated to decline as shortages of specialized car parts from Japan are already being witnessed throughout the world.

Honolulu County Industrial Jobs (Jan)



Source: DBEDT

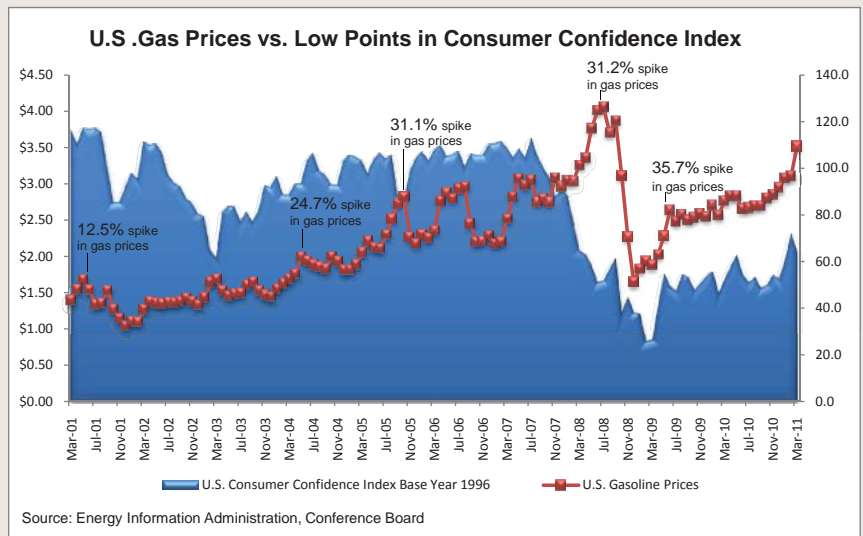
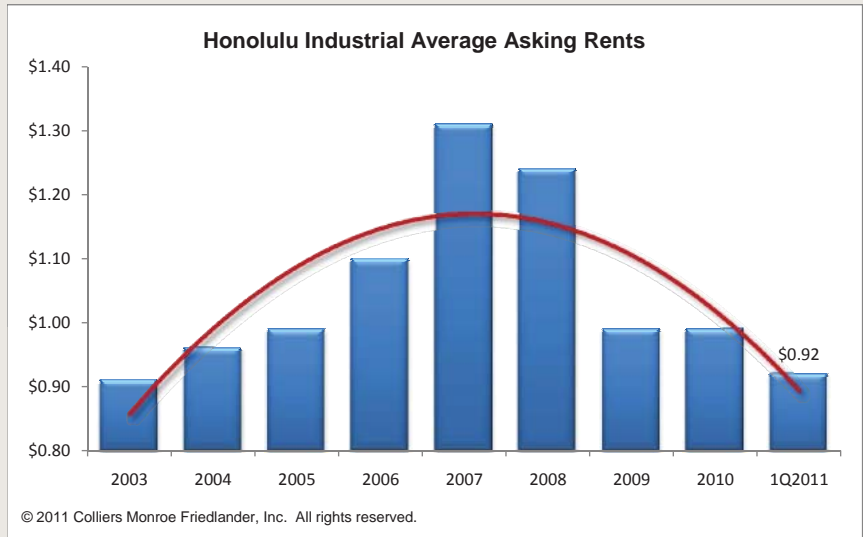
The growth in construction permit volume remained modest as the recent twelve-month period (February 2010 to January 2011) recorded a gain of 3.9% over the previous period (February 2009 to January 2010). Despite this slight improvement in projected construction activity, construction payrolls continued to lose positions as 1,950 jobs were trimmed over the past year.

The more pressing concern currently has been the rapid run up in fuel costs and the likely ripple effect it will have on future pricing of consumer goods and services. Ocean transport and air delivery costs are vulnerable to price shocks from rising fuel prices. Pricing for basic commodities, food and electricity are already creeping upward. Much of these additional costs will have to be passed on to consumers in the form of increased prices. Inflation continues to be a source of anxiety as the price of a gallon of unleaded regular gasoline exceeds \$4.00.

As fuel and gasoline prices rise, consumer confidence is immediately affected. The increase in money spent on filling up the gas tank or paying electric bills directly affects consumers' budgets for discretionary spending. This includes vacations to Hawaii. Not surprisingly, rapid price increases in gasoline often historically coincided with drops in consumer confidence and a reduction in air travel.

Rising fuel prices are also affecting leasing decisions for local wholesale/distribution firms. For those businesses that fled to West Oahu during the boom period of 2005 through 2008 when industrial rental prices rose quickly in the urban core, many of those leases are coming up for renewal. Having paid "top of market" rents for industrial space in Kapolei or Campbell Industrial Park, these companies are now considering relocating back to urban Honolulu. This will likely result in lower occupancy costs, but more importantly, lower transportation costs.

Barring any additional "black swans," Colliers anticipates flat to nominal economic growth with industrial vacancy rates maintaining their current trajectory of between 4.0% to 5.0% over the mid-term horizon. For the month of March, brokers experienced a healthy increase in property tours and tenant demand. If this translates into leasing activity, the hope is that the industrial market will remain resilient.



192 SAND ISLAND ACCESS ROAD

First Quarter 2011 Oahu Industrial Market Statistics

Submarket	Number of Buildings	Building Area	Available Space	YTD Absorption	Vacancy Rate	Wtd. Avg. Net Asking Rent	Avg. Net Op. Exp.
Kalihi / Sand Island	707	9,293,259	465,675	78,642	5.01%	\$0.98	\$0.35
Kapalama Military Reserve	19	1,250,000	0	0	0.00%	N/A	N/A
Iwilei	94	2,433,603	35,611	9,634	1.46%	\$1.21	\$0.51
Airport / Mapunapuna	222	8,429,440	133,178	(18,308)	1.58%	\$0.91	\$0.35
Bougainville / Halawa	104	3,309,376	122,581	23,667	3.70%	\$0.98	\$0.34
Pearl City / Pearl City Industrial / Aiea	74	2,366,366	119,264	37,792	5.04%	\$1.06	\$0.40
Waipahu / Milltown	150	3,058,220	129,630	(58,591)	4.24%	\$0.89	\$0.32
Gentry Business Park	66	1,775,845	276,192	(99,350)	15.55%	\$0.97	\$0.46
Campbell Industrial Park / Kapolei Business Park / Kenai	255	5,605,778	543,508	(22,043)	9.70%	\$0.81	\$0.24
Kailua	49	507,789	21,416	10,684	4.22%	\$1.36	\$0.31
Kaneohe	41	546,601	14,821	4,722	2.71%	\$0.97	\$0.39
Totals	1,781	38,576,277	1,861,876	(33,151)	4.83%	\$0.93	\$0.34

*Weighted average rents are calculated on I-1 and I-2 zoned properties. IMX zoned properties, which can be used for retail, have been excluded from this rent calculation.
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Featured Properties

PRICE REDUCED



\$19.75 PSF!

FOR SALE

Vacant Land - Mililani Tech Park

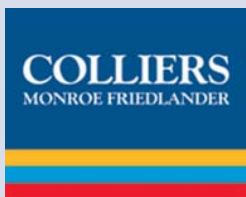
Area: Mililani, Hawaii
 TMK: (1) 9-5-46-43
 Zoning: IMX-1
 Size Available: 49,085 SF – 3 Acres
 Asking Price: \$969,429 - \$2,580,930
 Tenure: Fee Simple
 Contact: William Froelich (S) JD CCIM SIOR



FOR SALE

Warehouse - 432 Kalihi Street

Area: Honolulu, Hawaii
 TMK: (1) 1-2-3-46
 Zoning: IMX-1
 Size Available: 5,821 SF
 Asking Price: \$1,450,000
 Tenure: Fee Simple
 Contact: Gail Jennings (S)
 Ronald C. Ward (S)



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 Services Since 1973**

1800 Central Pacific Plaza
 220 South King Street
 Honolulu, HI 96813
 Tel: 808-524-2666
 Fax: 808-521-0977

www.colliershawaii.com

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Executive Management

Sarah Lee Morihara (S)
 President / Managing Director
 Tel: 523-9706
 sarahm@colliershawaii.com

Consulting & Research

Mike Y. Hamasu
 Consulting & Research Director
 Tel: 808-523-9792
 E-mail: mike@colliershawaii.com

Nanette C. Macapanpan (S)
 Research Consultant/Project Manager
 Tel: 808-523-9764
 nanette@colliershawaii.com

Industrial Services Group

Scott L. Mitchell (B) SIOR
 Executive Vice President
 Tel: 808-523-9702
 scott@colliershawaii.com

Guy V. Kidder (B) CCIM SIOR
 Vice President
 Tel: 808-523-9735
 guy@colliershawaii.com

Ronald C. Ward (S)
 Vice President
 Tel: 808-523-9747
 ronald@colliershawaii.com

William "Bill" Froelich (S) JD CCIM SIOR
 Senior Associate
 Tel: 808-523-9711
 williamf@colliershawaii.com

Staci Castro (S)
 Tel: 808-523-8339
 staci@colliershawaii.com

Gail Jennings (S)
 Tel: 808-523-8332
 gail@colliershawaii.com

Property Management

Bobbie Lau (B) CPM
 Senior Vice President

Tom Backman (S) RPA, CCIM
 Vice President

Brennan Kalani Maika (S)
 Senior Property Manager

Robert Sugiyama (S)
 Property Manager

Geri Dela Cruz (S)
 Property Manager

Melissa Ibanez (S)
 Property Manager

Clarissa Auyong (S)
 Property Manager



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