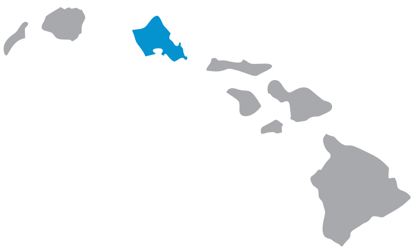
OAHU MID YEAR 2014

INDUSTRIAL MARKET REPORT



MARKET INSIGHT

"Public works projects combined with $2 billion in highrise condo development are pressuring an already supply-constrained market."

- William Froelich (S) JD CCIM SIOR
Vice President

MARKET INDICATORS

	MID YEAR 2013	MID YEAR 2014
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑

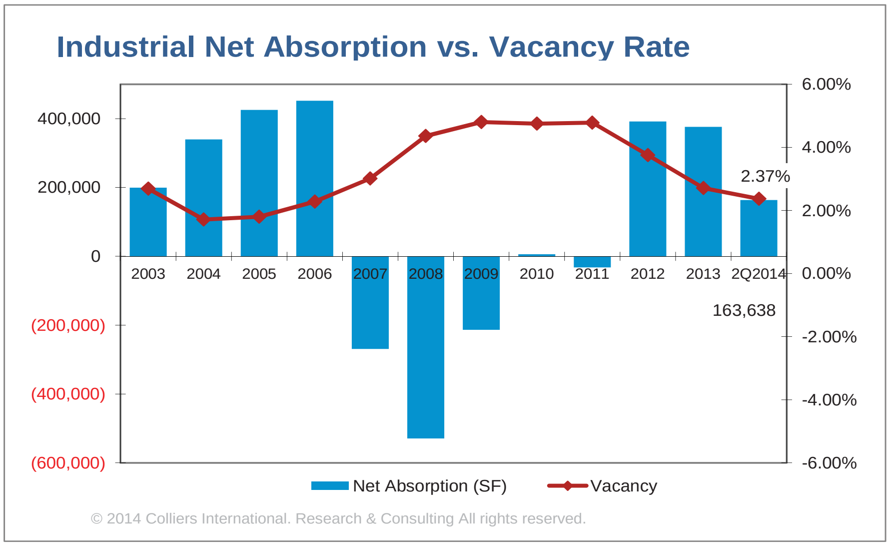
INDUSTRIAL HIGHLIGHTS

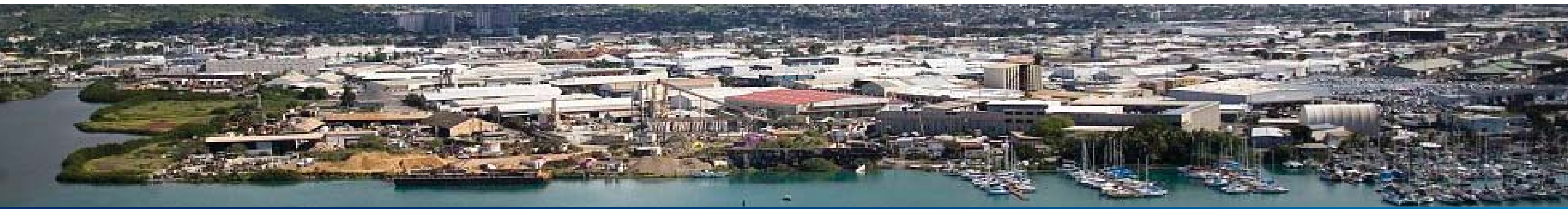
2Q NET ABSORPTION	107,787 SF
YTD NET ABSORPTION	163,638 SF
VACANCY RATE	2.37%
DIRECT WEIGHTED AVERAGE ASKING RENT (NNN)	$1.05 PSF/MO
AVERAGE OPERATING EXPENSE	$0.41 PSF/MO

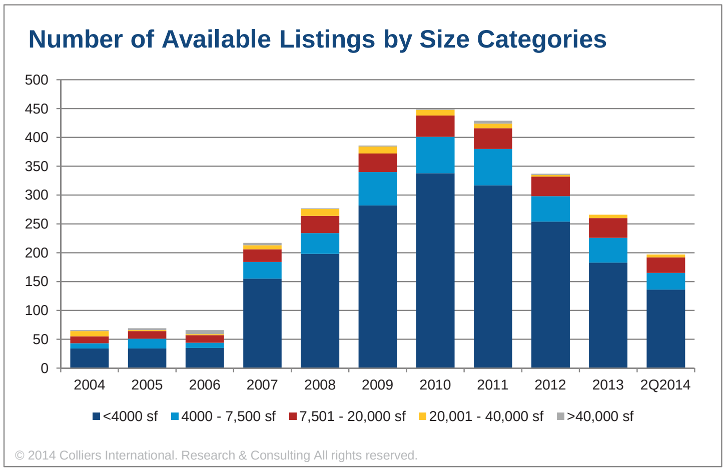
Severe Shortage Situation Emerges

Oahu's industrial market recorded 107,787 square feet of healthy net absorption for the second quarter of 2014, pushing the year-to-date level of occupancy growth to nearly 164,000 square feet. Vacancy rates fell to 2.37%, its lowest level since 2006, and appear to be on the same trajectory as the last boom period when rates fell below 2.0%.

The boom in construction activity, healthy wholesale distribution sales and the reclamation of state lands for harbor, airport and light rail development boosted demand for available warehouse space throughout Oahu. Rents have climbed over the past three years as available warehouses for lease are in short supply. At year-end 2010 there were 447 warehouse listings. By mid-year 2014, the number of listings had declined by 56% to 196 listings.

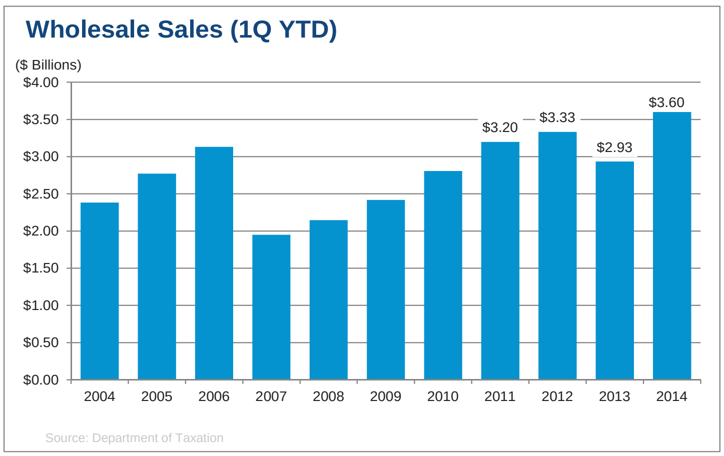






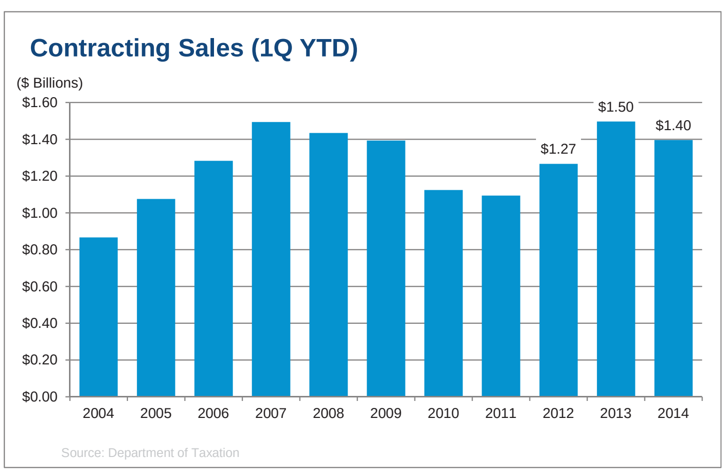
Tenants are finding it increasingly difficult to secure expansion or relocation space as competition for prime warehouse space in the market continues to heat up. The number of listings less than 7,500 square feet in size dropped from 401 for 2010 to 165 listings in 2014. For larger listings, there are currently no available blocks of warehouse space larger than 40,000 square feet and only five listings over 20,000 square feet in size. Between 2010 and 2014, the number of listings greater than 20,000 fell from eleven to five, a decline of nearly 55%.

Industrial Business Revenue Growth Continues



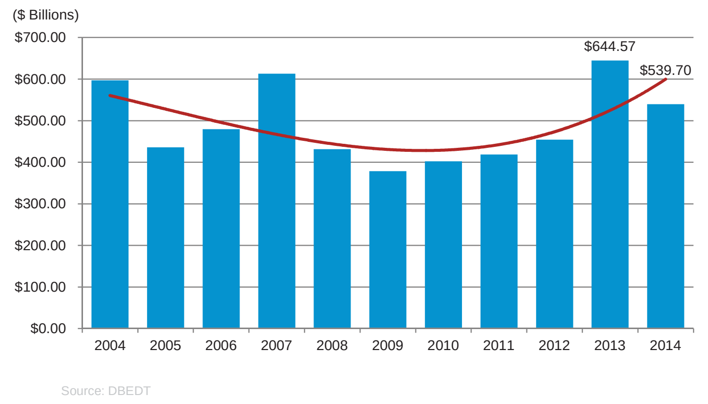
Wholesale/distribution firms, which constitute the largest block of warehouse users on Oahu, posted record sales of $3.6 billion for the first quarter of 2014, a 22.9% jump over 2013 levels. Healthy air passenger arrival counts boosted visitor expenditures, while solid employment and real personal income growth strengthened residential retail sales, helping to support these gains in wholesale sales.

Construction firms also continued to enjoy robust revenues with $1.4 billion in sales generated for the first quarter of 2014. Despite a slight decline from 2013 levels, builders are busily preparing for a continuation of the current boom cycle. Construction permit volume also reflected a slight drop from the 2013 levels, but still remains at an elevated level at $539.7 million for the first four months of the year.



Double Digit Rental Rate Jump

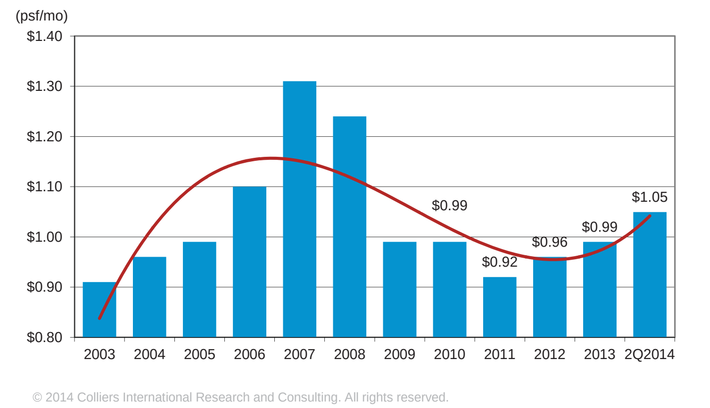
The direct weighted average asking rent for Oahu's industrial market rose to $1.05 per square foot per month ("psf/mo") at the end of the second quarter



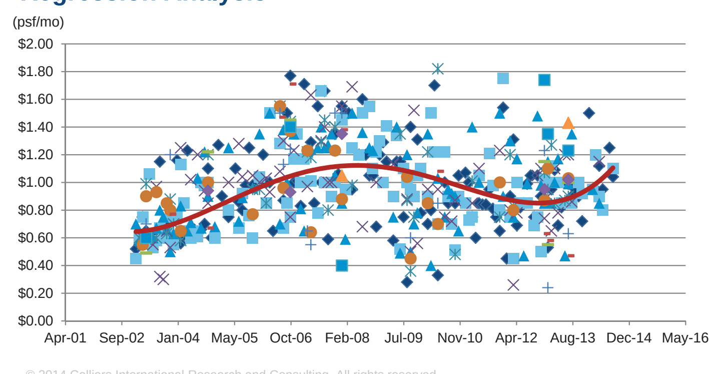
Private Building Permits (April YTD)

2014. This reflects a gain of 14.1% from the year-end 2011 rate of $0.92 psf/mo. Tenant improvement allowances, free rent and other landlord concessions are being reduced as competition among prospective tenants increases. Even functionally obsolete spaces are garnering additional attention, as options for tenants become more limited.

To better comprehend rental rate trends, Colliers conducts a regression analysis on negotiated industrial lease transactions and plots a trend line for negotiated lease rates. Over the past eighteen months, the regression trend line indicates a strong upward surge with an average base rent exceeding $1.05 psf/mo.



Oahu Industrial Average Asking Rents



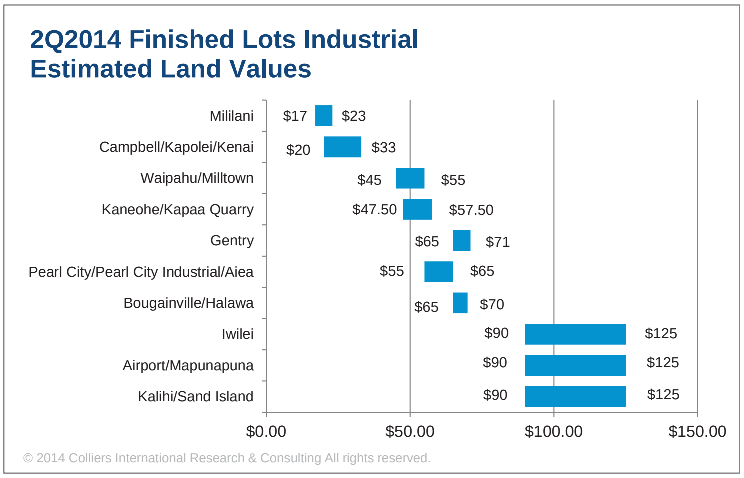
Oahu Industrial Lease Comparables Regression Analysis

Land Values Increases

The mounting difficulties facing prospective tenants trying to locate a suitable warehouse in urban Honolulu to lease or to purchase will lead many owner-users to consider developing their own facilities. However, a recent search for three acres of I-2 zoned land from Bougainville to Kakaako resulted in no available listings. Even if there were available sites, urban Honolulu industrial land values currently fall between $90 to $125 per square foot ("psf"), making warehouse development highly cost prohibitive.

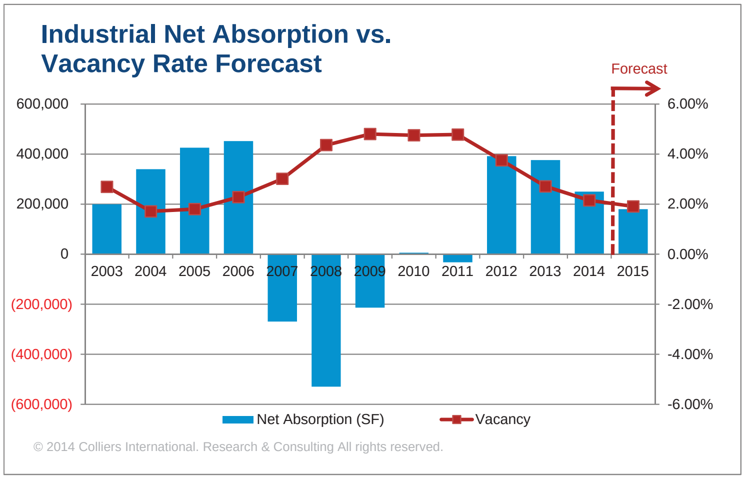
For many owner-user businesses considering building a facility for their use, West Oahu is becoming the only option. With land values ranging from $20 to $33 psf, the total costs for land acquisition and warehouse construction is more affordable. Currently, there are only five listings for I-2 zoned vacant industrial fee simple land for sale in West Oahu. We anticipate this to change within the next few months as Kapolei Business Park West and Kapolei Business Park Phase 2 become available for sale during the third quarter of 2014.

Although speculative warehouse construction is not



anticipated in the near term time horizon, discussions are rumored to be underway with several major landlords for future development. In an effort to capitalize on a low land cost basis, these landlords have the opportunity to plan ahead for if/when rents exceed a target hurdle rate which would make development feasible.

Over the past two years, land values rose an average of 11% for most of the industrial parks on Oahu. The largest gains were experienced in the Airport/Mapunapuna and Waipio industrial markets, posting a jump of 25% and 26%, respectively.



Tight Conditions to Persist

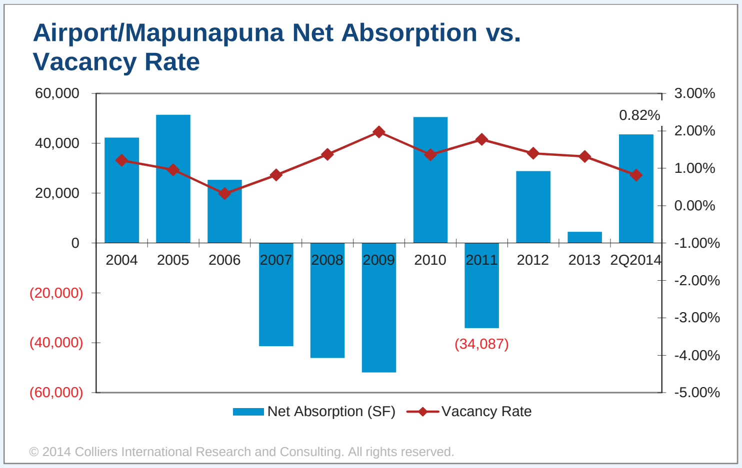
Oahu's economy appears poised for several more years of solid growth which should lead to stronger demand for the island's warehouse sector. Vacancy rates are projected to continue to trend downward with a strong likelihood that the record lows experienced during the last boom period will be revisited. Colliers is forecasting that by year-end 2015, vacancy rates will fall below 2%. Net absorption over the next eighteen months will begin to slow as the lack of available inventory will dampen future occupancy gains.

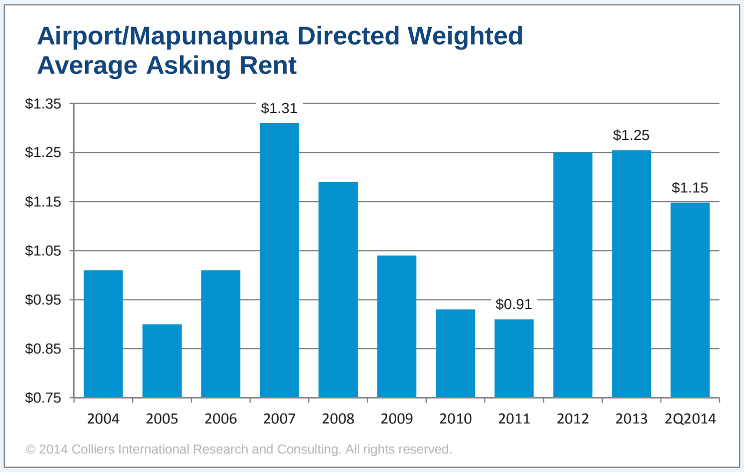
During the 2004 to 2007 boom period, speculative industrial condominiums were built with asking rental rates of $1.55 psf/mo and sales prices in excess of $300 per square foot. These developments skewed the Oahu average asking rent to a record high of $1.31 psf/mo at year-end 2007. Colliers anticipates that rents will continue on the current upward trajectory. Without any speculative construction in the near term, rental rates for urban Honolulu industrial parks will likely reach an average of $1.25 psf/mo by mid-year 2015.

FOR SUBLEASE
925 Kokea Street, Honolulu

TMK:	(1) 1-5-4-32
Zoning:	IMX-1
Building Size:	21,870 SF
Gross Rent:	$30,000 per month
Listing Agent:	WIlliam R. Froelich (S) JD, CCIM, SIOR

Submarket Analysis - Airport





The Airport submarket is situated in close proximity to Honolulu International Airport and Honolulu Harbor and has more than 4.6 million square feet of inventory. Businesses located in this market can efficiently service clientele from downtown Honolulu to Waikiki. The 1.21% average vacancy rate over the past ten years reflects the strong tenant demand for this highly desirable area.

After decades as one of Honolulu's popular industrial markets, the Airport industrial trade area is being transformed. The region is poised for significant changes over the next decade as gentrification and redevelopment is being planned for the area. The expanded Airport and the development of light rail stations will serve as catalysts for future changes to this industrial park.

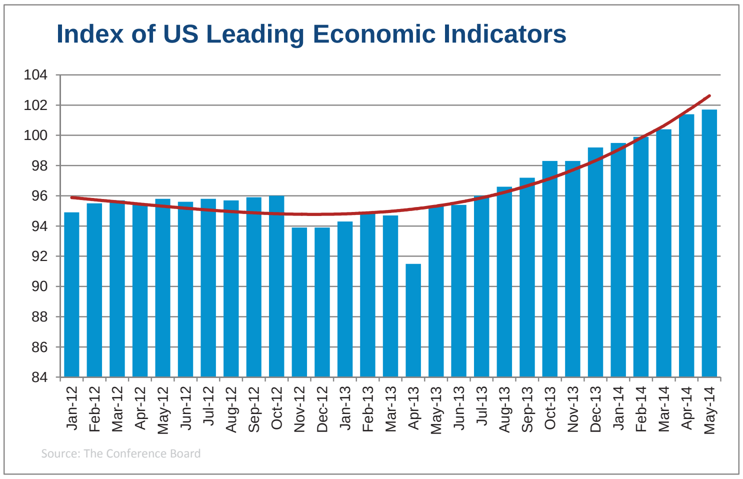
The State of Hawaii terminated leases of more than 500,000 square feet along Aolele Street in order to expand Honolulu International Airport's facilities. This displacement pushed many tenants into the private sector warehouse market and helped to drive vacancy rates downward.

Additionally, Honolulu's light rail project will build two transit stations in this region. Master planning efforts are underway to identify opportunities for redevelopment within a half mile radius of these transit stations. There is the potential to provide developers the opportunity to up-zone their properties which would provide for heavier, more dense developments along the rail line that could include more retail, office and residential to the area.

Loyalty Enterprises, a major landlord in the area, has already begun to improve the region. Many rental car and car dealership businesses along busy Nimitz Highway have upgraded and renovated their facilities. Plans are underway to renovate and paint many of the area's warehouses as well. A limited service hotel is planned for the area.

The transition for the Airport market is underway.

Airport Industrial



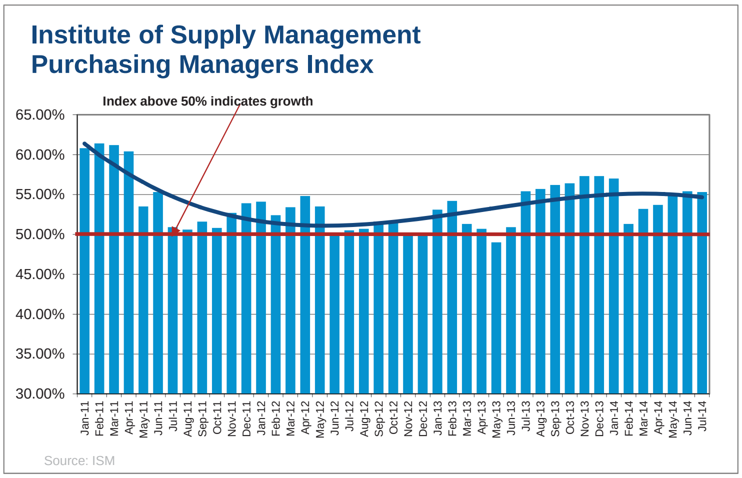
National Outlook Remains Robust

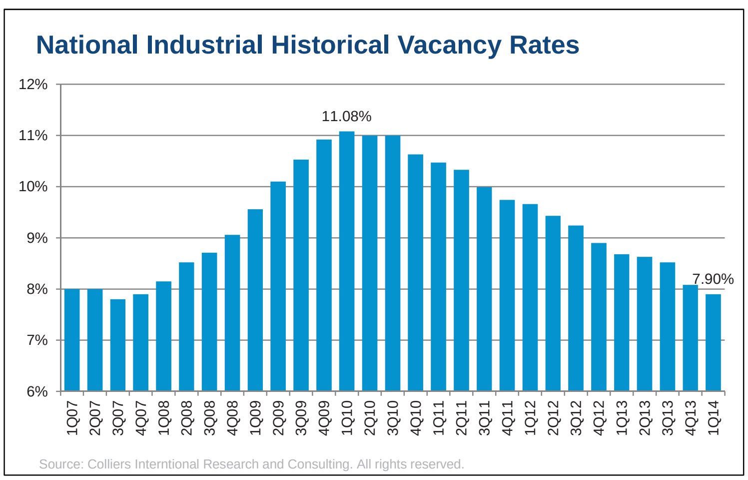
The U.S. Leading Economic Indicator Index posted its fourth consecutive month of healthy gains. The May 2014 index reading of 101.7 convinced Conference Board economists that a broader based recovery to the U.S. economy is underway as both financial and labor components contributed positively to the index reading.

The Institute for Supply Management ("ISM") posted its fourteenth consecutive month of expansion, having surpassed 55.3% for the month of July 2014 (a reading above 50% denotes expansion). The ISM's Purchasing Manager's Index measures the sentiment from purchasing managers for manufacturing companies throughout the country and serves as a good indicator of the health of the manufacturing sector.

The healthy outlook for the industrial real estate sector is attracting investors throughout the world. In fact, the Association of Foreign Investors in Real Estate identified industrial real estate as its top investment choice for the first time in a decade. U.S. industrial market performance fundamentals are anticipated to fuel additional investor interest as the rate of net absorption now exceeds the addition of new supply by nearly two to one.

National vacancy rates are projected to continue to decline as the first quarter 2014 vacancy rate fell for the sixteenth consecutive quarter to 7.9%. Colliers believes that there are no signs of overbuilding risks for North America as only 45% of the new supply is speculative. The outlook appears optimistic as manufacturing, transportation, and construction sectors are poised for gains.





177 Acres of I-2 Industrial Land In Kapolei

Kapolei Business Park West and Kapolei Business Park Phase 2 are two new fee simple real estate developments that will add much needed inventory to the West Oahu landscape. The 123 and 54 acres of industrial zoned land were recently acquired in joint venture by affiliates of Honolulu-based Avalon Development Co. and Chicago-based Walton Street Capital L.L.C. from James Campbell Co. LLC and Jupiter Holdings LLC, respectively, in April and May 2014 and are scheduled for development by Avalon Development Co.

These projects are a continuation of the very successful Kapolei Business Park, a fully constructed, 144-acre industrial park. Beginning in the third quarter of 2014, more than 7,000,000 square feet of industrial land will be developed spanning both sides of Kalaeloa Boulevard. The first phase of the new development will consist of 17 industrial lots ranging in size from 1.035 to 4.695 acres with a total of 33.5 acres of useable land. The developer also plans to offer built-to-suit facilities to potential users that prefer to buy or lease a custom designed and finished property. Anticipated completion of the first phase is summer of 2015.

For additional information please call Scott L. Mitchell, (B) SIOR at (808) 523.9702 or Guy V. Kidder, (B), CCIM, SIOR at (808) 523.9735.

MID YEAR 2014 OAHU INDUSTRIAL MARKET STATISTICS

INDUSTRIAL MARKET - BY SUBMARKET AREA

	NO. OF BUILDINGS	BUILDING AREA (SF)	AVAILABLE SPACE (SF)	2Q2014 NET ABSORPTION (SF)	2Q2014 YTD NET ABSORPTION (SF)	VACANCY RATE	DIRECT WTD. AVG. NET ASKING RENT (PSF/MO)*	AVG. NET OP. EXP. (PSF/MO)
KALIHI / SAND ISLAND	756	9,687,529	234,166	(7,611)	16,058	2.42%	$1.04	$0.39
IWILEI	96	2,353,679	33,029	29,940	14,104	1.40%	$1.22	$0.47
AIRPORT / MAPUNAPUNA	237	8,816,581	71,958	12,378	43,584	0.82%	$1.15	$0.42
BOUGAINVILLE / HALAWA	104	3,428,232	91,908	(24,323)	(413)	2.68%	$0.97	$0.33
PEARL CITY / PEARL CITY INDUSTRIAL / AIEA	76	2,407,716	101,636	(7,097)	35,353	4.22%	$1.09	$0.41
WAIPAHU / MILLTOWN	156	3,143,343	157,529	(13,986)	1,558	5.01%	$1.01	$0.32
GENTRY BUSINESS PARK	66	1,775,915	63,926	3,998	3,983	3.60%	$1.15	$0.47
CAMPBELL INDUSTRIAL PARK / KAPOLEI BUSINESS PARK / KENAI	256	6,483,359	136,539	112,721	35,674	2.11%	$0.97	$0.37
KAILUA	54	538,129	25,230	5,340	5,700	4.69%	$1.44	$0.31
KANEOHE	41	602,851	13,450	(3,573)	8,037	2.23%	$0.50	$0.62
TOTALS	**1,842**	**39,237,334**	**929,371**	**107,787**	**163,638**	**2.37%**	**$1.05**	**$0.41**

* 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.

TERMS AND DEFINITIONS

- INVENTORY - Industrial buildings greater than 2,500 square feet located on the island of Oahu, inclusive of owner user and single tenant buildings.
- TOTAL SQUARE FEET - All rentable industrial space exclusive of common areas, yard space and fire escapes.
- VACANT SPACE - Industrial space that is not occupied by a tenant. This includes sublease space that is unoccupied.
- VACANCY RATE - The ratio of vacant industrial space divided by the total industrial inventory square footage.
- NET ABSORPTION - The net change in occupied space over a period of time. Year-to-date net absorption is the difference in occupied space between the end of the previous year and the current quarter.
- DIRECT WEIGHTED AVERAGE ASKING RENT (NNN) - The ratio of aggregate landlord asking rents divided by the total available space within a specific geography.
- AVERAGE OPERATING EXPENSES - The average rate of tenant expenses such as building utilities, management fees, building maintenance, real property taxes and insurance within a specific geography.
- BASE RENTS - Rents exclusive of building operating expenses.

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