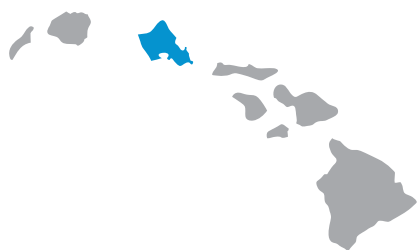




OAHU THIRD QUARTER 2013 INDUSTRIAL MARKET REPORT



MARKET INSIGHT

"Harbor, airport and rail projects have reduced industrial land supply to near record low levels."

- Guy V. Kidder (B) CCIM, SIOR
Vice President

MARKET INDICATORS

THIRD QUARTER
2012 to 2013

VACANCY ↓

NET ABSORPTION ↑

CONSTRUCTION ↔

RENTAL RATE ↑

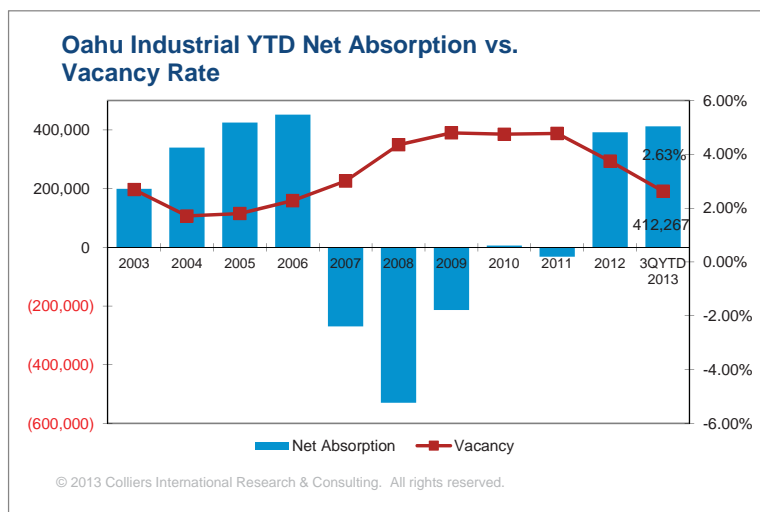
INDUSTRIAL HIGHLIGHTS

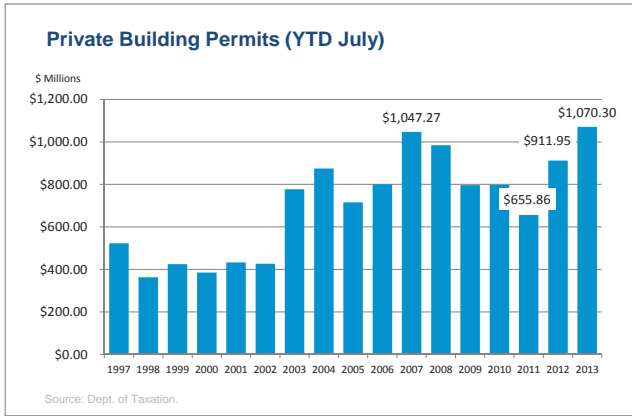
3Q ABSORPTION	207,810 SF
YTD NET ABSORPTION	412,267 SF
VACANCY RATE	2.63%
DIRECT WEIGHTED AVERAGE ASKING RENT (NNN)	\$1.02 PSF/MO
AVERAGE NET OPERATING EXPENSE	\$0.35 PSF/MO

Vacancy Rates Continue Downward Trend

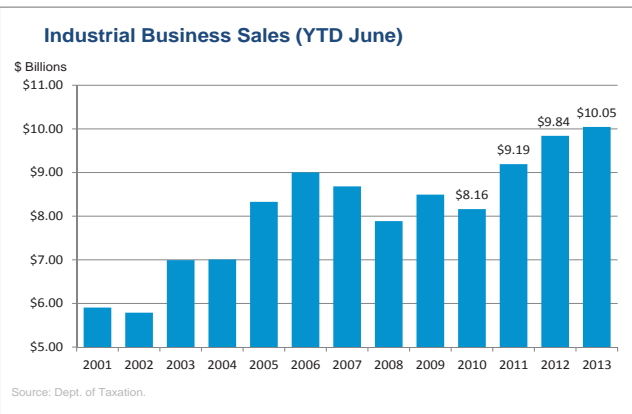
Honolulu's industrial real estate market continued to tighten as more than 412,267 square feet of year-to-date positive absorption pushed vacancy rates downward. Oahu's industrial vacancy rate is at its lowest level since 2006, registering 2.63% for the third quarter of 2013. This rate is comparable to the boom period prior to the last recession.

During the past three years, the industrial market's volatility was exemplified by jagged saw tooth variations in quarterly absorption. However, over the past year, positive absorption has taken hold as a result of heightened industrial sector confidence fueled by record revenues for both the tourism sector and the construction industry.

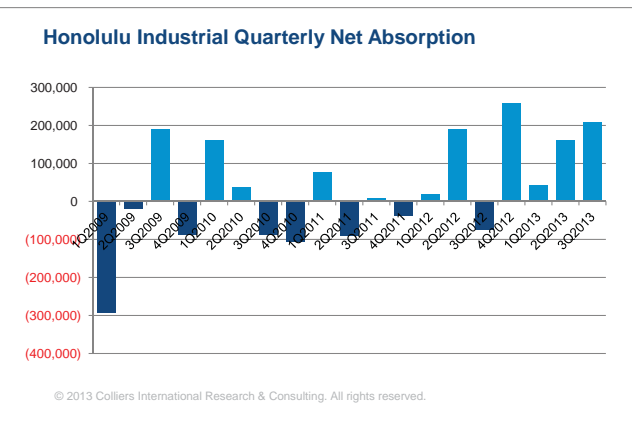




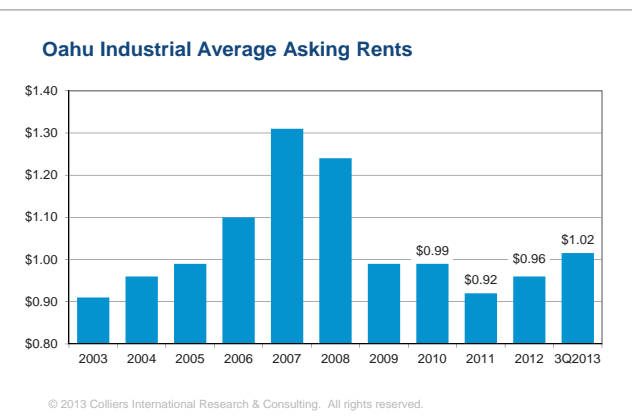
After experiencing record tourism expenditures over the past few years, Hawaii’s economy is now handing the economic growth baton over to the construction sector. Permit volume, an indicator of future construction activity, set a new June year-to-date record of \$1.07 billion. This is a jump of 17.36% over 2012 levels and surpasses the previous record of \$1.05 billion set at the peak of the last economic boom in 2007.



The combination of low interest rates, ample investment capital and Hawaii’s positive economic performance, is motivating developers to dust off previously shelved plans. Developers with projects that received entitlements prior to the last recession are now in a good position to act quickly as the market heats up.



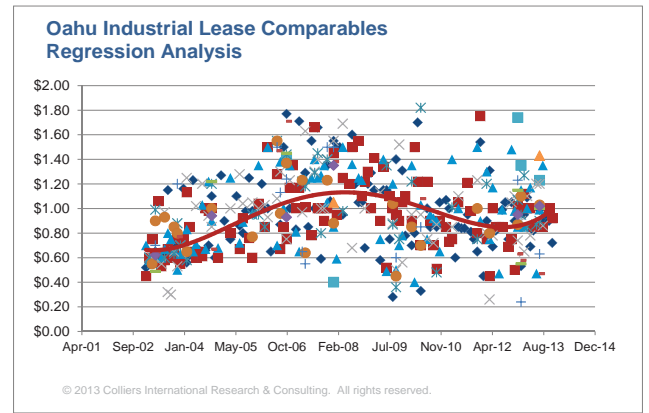
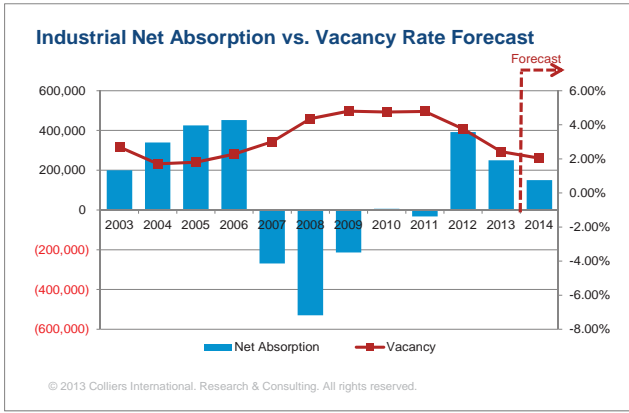
In addition to strong private development activity, the public sector is ramping up as well. The Honolulu Rail Transit project was recently authorized to move forward with construction after being delayed due to a court ordered requirement to complete an archaeological survey for the entire route. Having recently received an additional \$236 million in federal funds, the Honolulu Rail Transit will be the largest public works project in Hawaii’s history. Other public works projects currently underway include the expansion of Honolulu Harbor and Honolulu International Airport.



Although the limelight is centered on the construction industry, the largest user of warehouse space continues to be wholesale distribution businesses. Industrial business sales increased slightly from \$9.84 billion to \$10.05 billion in June 2013 (year-to-date). As retailers add more inventory to support increased sales, their warehouse requirements also grow. Honolulu County retail sales posted a slight 0.68% gain over last year, rising from \$13.15 billion to \$13.24 billion for the first half of 2013. If this pace of sales continues, warehouse requirements for retailers and wholesalers are likely to remain at current levels.

Rental Rates Projected to Rise

Over the past three quarters, the Honolulu industrial direct weighted average asking rent has steadily increased. The 3Q2013 rate of \$1.02 per square foot per month (“psf/mo”) rate is the highest level over the past five years. The average rent reversed course in 2012, ascending a healthy 10.9%. The Honolulu County Industrial Lease



Comparables Regression Analysis graph, which plots base rents from negotiated lease transactions, corroborates the upward trajectory of average industrial asking base rents. Over the past year, base rents for transacted leases reflect a marked increase. Landlord concessions are being reduced as the limited amount of available warehouse space is spurring increased competition for prime warehouse space.

Rents are anticipated to rise further as a severe shortage of warehouse space forces expanding and relocating tenants to scramble. Leasing specialists are witnessing even marginal and low quality spaces being leased up as warehouse options for urban Honolulu locations become increasingly difficult to find.

Tenants Facing Tough Situation

Expanding and relocating tenants will continue to scramble to find available warehouse space, as vacancy rates are anticipated to continue to trend downward over the near term. Despite the recent gains to warehouse rental rates, speculative development is still not financially feasible and not likely until rents exceed \$1.30 psf/mo.

Featured Properties



1629 Kahai Street, Honolulu, Hawaii

Rare opportunity to own a corner lot in Waipio! This property is conveniently located within the Waipio commercial district with easy access to H-2 and Kam Hwy.

TMK:	(1) 1-2-6-15
Land Area:	5,000 sf
Building Area:	3,500 sf - Warehouse 900 sf - Mezzanine Office
Base Rent:	\$1.40 psf/mo
Contact:	Scott L. Mitchell (B)



94-1108 Ka Uka Boulevard Waipahu, Hawaii

Exceptional Kalihi warehouse available for lease. Highly desirable features include 2 electronic roll-up doors, fully permitted spray booth and mix room, and air conditioned office.

TMK:	(1) 9-4-99-31
Zoning:	I-2 (Intensive Industrial)
Land Area:	40,312 sf
Tenure:	Fee Simple
Sale Price:	\$3,023,400.00
Contact:	Ronald C. Ward (S)

THIRD QUARTER 2013

INDUSTRIAL MARKET

	NO. OF BUILDINGS	BUILDING AREA	AVAILABLE SPACE	3Q NET ABSORPTION	YTD NET ABSORPTION	VACANCY RATE	WTD. AVG NET ASKING RENT	AVG. NET OP. EXP.
KALIHU / SAND ISLAND	749	9,606,804	259,515	77,810	70,168	2.70%	\$0.97	\$0.38
KAPALAMA MILITARY RESERVE	19	1,250,000	0	0	0	0.00%	N/A	N/A
IWILEI	96	2,353,679	45,160	42,291	87,108	1.92%	\$0.75	\$0.49
AIRPORT / MAPUNAPUNA	233	8,651,827	149,434	28,360	(29,366)	1.73%	\$1.29	\$0.32
BOUGAINVILLE / HALAWA	104	3,428,232	72,948	(4,044)	42,798	2.13%	\$0.84	\$0.29
PEARL CITY / PEARL CITY INDUSTRIAL / AIEA	76	2,407,716	55,258	38,000	15,233	2.30%	\$0.91	\$0.36
WAIPAHU / MILLTOWN	155	3,144,440	134,602	(30,561)	61,138	4.28%	\$0.93	\$0.32
GENTRY BUSINESS PARK	66	1,775,915	108,697	13,587	28,943	6.12%	\$1.07	\$0.45
CAMPBELL INDUSTRIAL PARK / KAPOLEI BUSINESS PARK / KENAI	254	6,449,087	191,830	28,057	133,255	2.97%	\$1.03	\$0.21
KAILUA	49	510,189	8,580	0	4,180	1.68%	\$1.40	\$0.31
KANEOHE	41	602,851	30,677	14,310	(1,190)	5.09%	\$0.98	\$0.39
TOTALS	1,842	40,180,740	1,056,701	207,810	412,267	2.63%	\$1.02	\$0.35

* 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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KAPOLEI BUSINESS PARK PHASE 2

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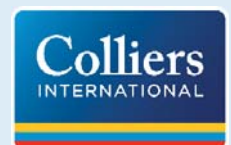
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