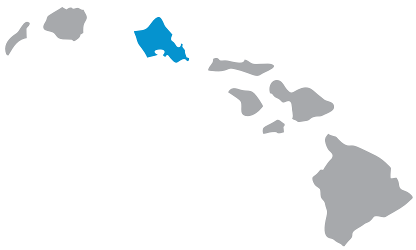
OAHU YEAR END 2012

INDUSTRIAL MARKET REPORT



MARKET INSIGHT

"Strengthening market dynamics and more than 1.5 million square feet of relocating tenants from state lands spiked growth in demand. "

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

MARKET INDICATORS

	YEAR END 2011	YEAR END 2012
VACANCY	↔	↓
NET ABSORPTION	↔	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↑

INDUSTRIAL HIGHLIGHTS

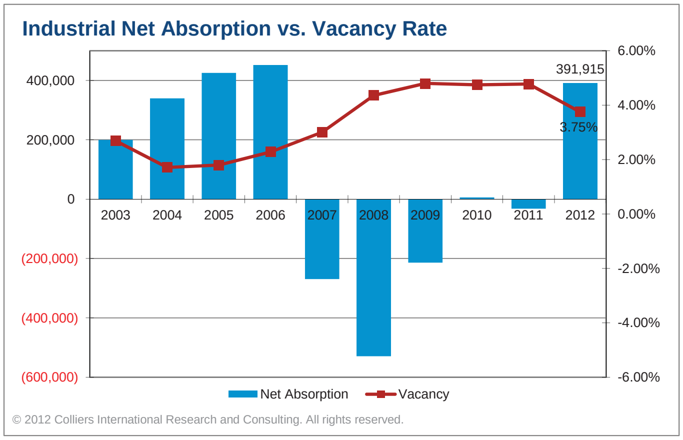
4Q NET ABSORPTION	190,239 SF
YTD NET ABSORPTION	391,915 SF
VACANCY RATE	3.75%
DIRECT WEIGHTED AVERAGE ASKING RENT (NNN)	$0.96 PSF/MO
AVERAGE NET OPERATING EXPENSE	$0.35 PSF/MO

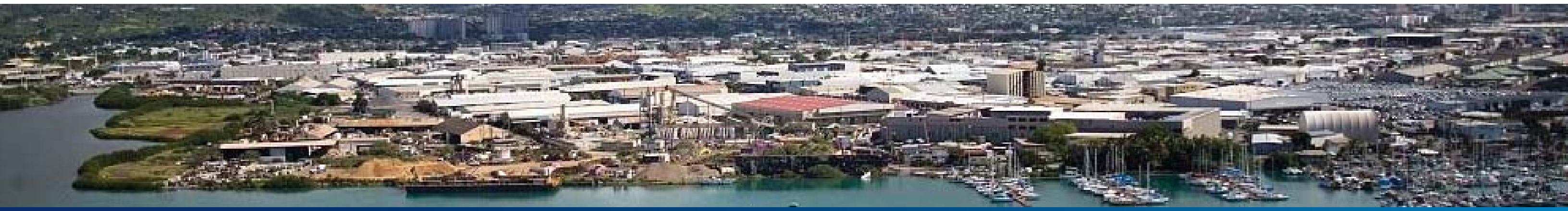
Market Recovery Arrives

Honolulu's industrial market posted sizeable occupancy gains in 2012 as year -end net absorption rose to 391,915 square feet and warehouse vacancy rates fell to 3.75%. This is the strongest performance by the industrial real estate sector over the past six years and mirrors the pace of occupancy growth reported at the peak of the last economic boom period.

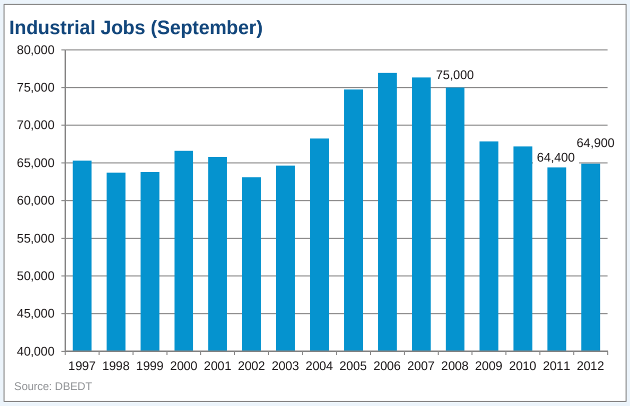
The improved economy is placing increased demands on the island's industrial marketplace as sales revenues hit record levels for wholesale distribution firms. Furthermore, construction activity is rebounding strongly as building permit volume jumped over last year's levels. After six consecutive years of job losses, the industrial sector posted a year-over-year increase of 500 new jobs.

In addition to business growth fueling warehouse demand, the relocation of tenants off of state-owned properties near Honolulu Harbor and the Honolulu International Airport was a major contributing factor for the boost in occupancy. More than 1.5 million square feet of tenants are being forced to relocate into private sector properties.

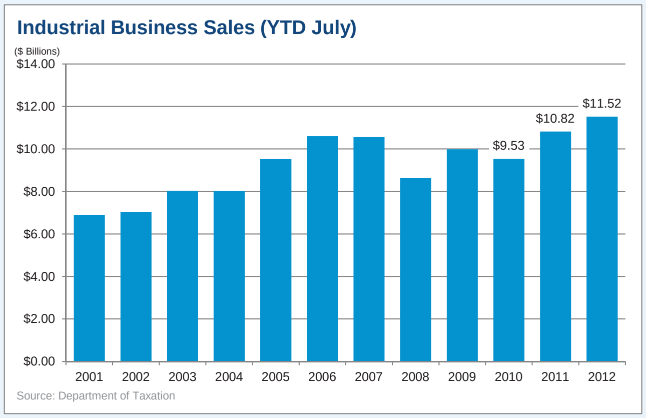




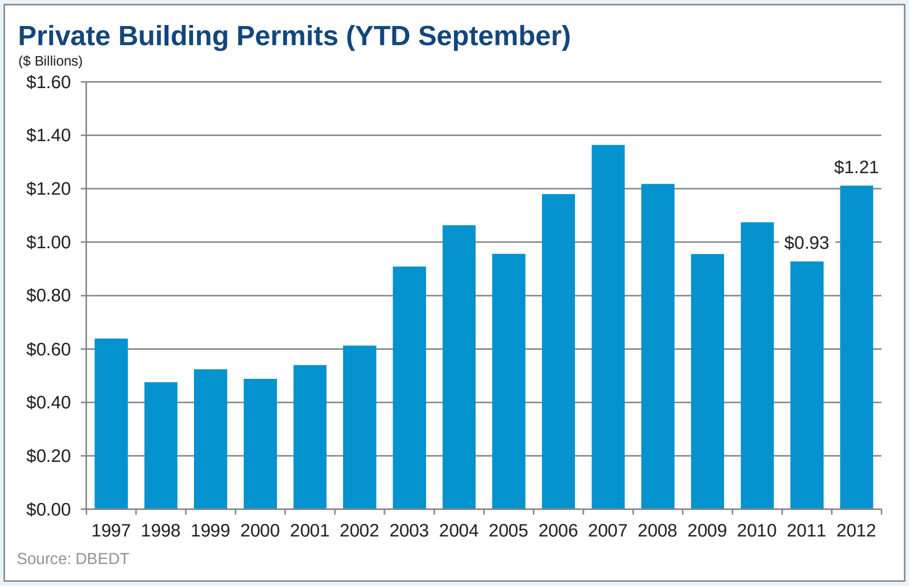
Industrial Sales Revenue Jumps



As discussed in previous market reports, Honolulu's industrial market performance typically emulates the changes that occur in the local economy. The health of Oahu's industrial market is contingent upon the success of wholesale/distribution and construction firms. In a market where retail sales and residential construction activity are on the rise, the industrial market benefits through heightened warehouse demand as the amount of goods and materials to be stored increases.



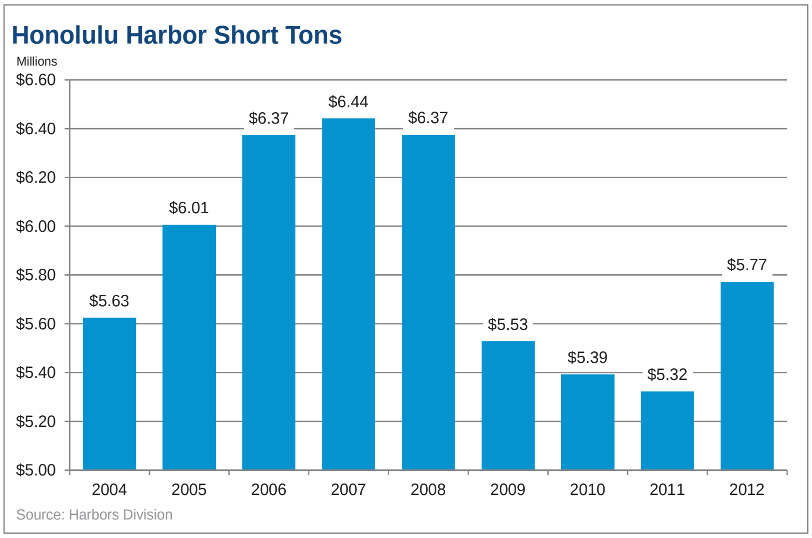
Industrial business revenue, which is a combination of wholesale/distribution, construction, and manufacturing sales, shows a healthy improvement over the past few years. Since 2010, these revenues grew by 20.9%, a gain of nearly $2 billion. July year-to-date wholesale/distribution sales have grown by more than 22% over the past two years. Much of these gains can be attributed to the boom in tourism and the corresponding increase in resort retail sales. Additionally, the opening of new stores on Oahu by several large retailers such as Safeway, Sports Authority, Whole Foods, CVS/Longs and Walgreens, has contributed to the rise in wholesale sales.



The construction sector is also showing positive signs of growth. July year-to-date contracting revenue jumped by 21% over the past two years, a gain of more than $550 million over 2011 levels. In addition, September year-to-date building permit volume on Oahu rose to $1.21 billion, nearly matching the volume established in 2008. Developers are once again dusting off plans and exploring potential projects as both economic and real estate market conditions show optimistic signs of recovery which, in turn, should lead to increased warehouse demand.

State of Hawaii Harbor and Airport Expansion Plans

At fiscal year-end July 2012, the Harbors Division of the State Department of Transportation reported a healthy 8.4% gain in cargo tonnage flowing through Honolulu Harbor. Honolulu Harbor is the principal port of entry for most of the retail goods that are shipped to Hawaii. Kalaeloa Harbor in West Oahu is principally a commodities harbor that receives petroleum, construction materials and newsprint. As a result of this increase in shipping, warehousing and distribution firms have experienced a growth in business.



The growth in shipping activity is placing pressure on Honolulu Harbor's capacity. In an effort to rectify this, the State of Hawaii is reclaiming its highly valued industrial lands around the harbor. The former Kapalama Military Reserve ("KMR") that is located adjacent to Honolulu Harbor is being redeveloped into a container staging area for Horizon Lines shipping company. The repurposing of this land is forcing existing tenants of KMR to relocate their businesses to the private sector industrial warehouse market. Although notices have been circulated to KMR's tenants about this pending State action for a number of years, it looks like the State is about to fulfill its plans with a deadline for tenants to vacate by 2014. For those that disregarded the previous notices, many are now faced with the dilemma of finding alternative warehouse space for their business operations.

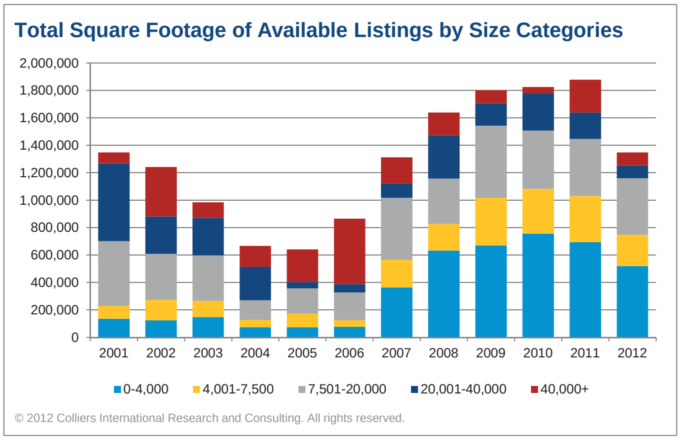
In a similar action, the State of Hawaii has expansion plans for new rental car and terminal facilities at the Honolulu International Airport. This has also resulted in existing tenants near the airport receiving notices to relocate, placing further demand on industrial parks. Vacancy rates in the Kalihi, Bougainville/Halawa, Pearl City/Aiea and Airport/Mapunapuna submarkets already reflect tightened market conditions and Colliers projects that rental rate increases are likely for 2013.

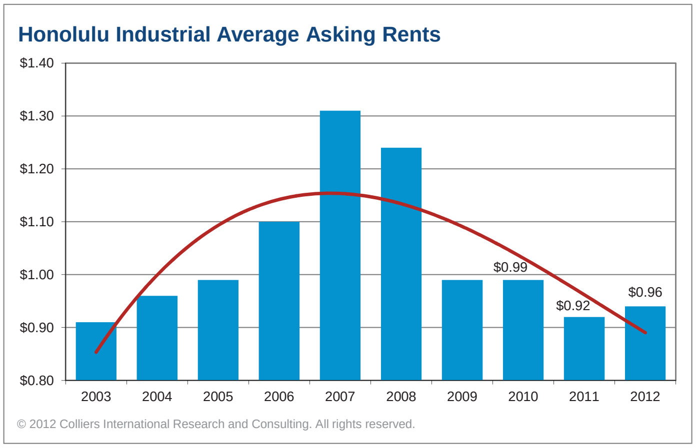
3169 Koapaka Street

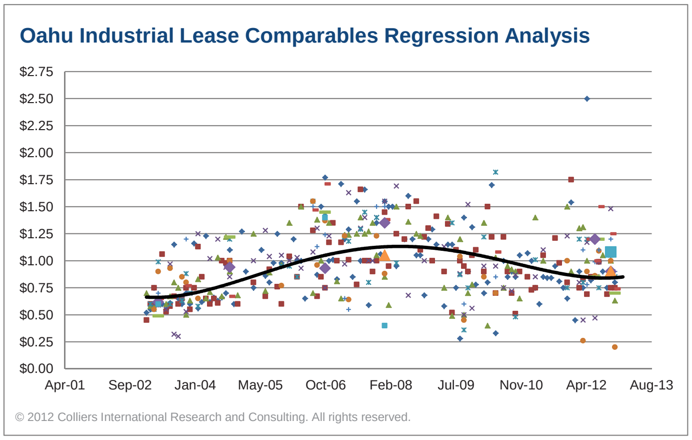
Tenant Demand Surges as Listings Fall

As a result of the added demand created by the removal of State properties from the marketplace, brokers are noticing an overall improvement in the market. The number of prospective tenants touring through available listings, the price competition for well-located sites, and the expansion of local, as well as mainland firms in Hawaii, raises hopes for increased leasing activity for 2013.

Colliers analyzed industrial listings by size and categorized them based upon total square footage. At year-end 2012, the number of listings had fallen across the board with the most notable declines among listings in the larger size categories of 20,000 to 40,000 square feet and 40,000 square feet or larger. The total square footage for these size categories decreased by more than 50%.







Rental Rates Rise

After four years of consecutive rental rate declines, the Oahu direct weighted average asking base rent increased from a year-end 2011 rate of $0.92 per square foot per month ("psf/mo") to $0.96 psf/mo at year-end 2012. Of the eleven industrial parks that Colliers tracks, six reported rental rate increases over the past year. Should tenant demand continue to grow, it should result in increased competition for a limited amount of available warehouse spaces and more widespread rental rate increases.

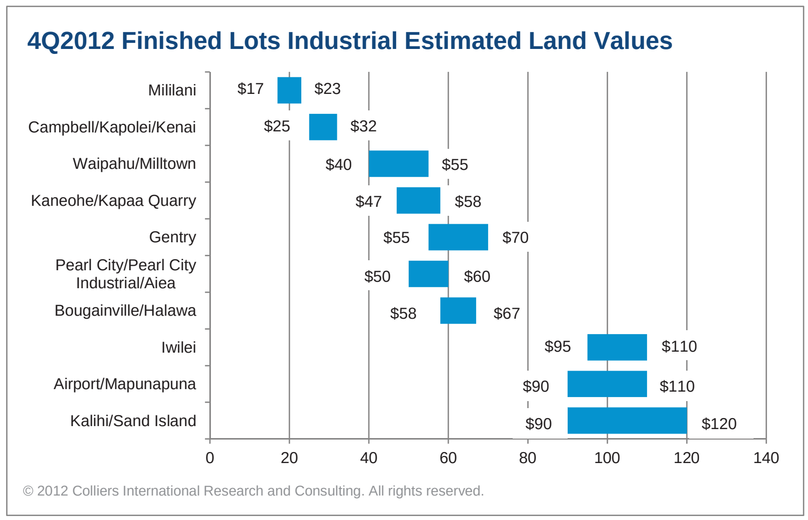
In an effort to better reflect where rental rates are trending, Colliers performs an Oahu Industrial Lease Comparables Regression Analysis. This model indicates that rental rates are flattening out and are poised to move upward. Industrial lease deals are being negotiated near $0.86 psf/mo, roughly 8.5% below the average asking base rent. This reflects a narrowing in the gap between what landlords are asking for and actual lease transaction rates.

150 Kaulele Place

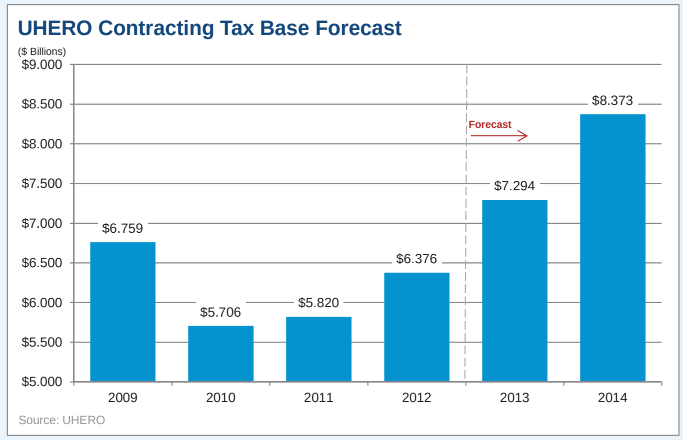
Industrial Land Values

Recently transacted land sales for finished lots in the Airport/Mapunapuna, Gentry and Campbell Industrial Parks indicate that land values are holding up and in many cases, beginning to appreciate. For urban core industrial parks where vacant developable land is severely supply constrained, land values have returned to a range of $90 to $120 per square foot.

Concerns were raised over the past few years that a glut of raw industrial land would inundate the West Oahu industrial market and drive values downward. Many of these landowners faced foreclosure and needed an infusion of capital to remain afloat. Several industrial land tracts had traded hands but a free-fall in land values did not materialize. Although land values have sunk from their 2007 peak, Colliers brokers believe that West Oahu land values have stabilized and now range between $25 and $32 per square foot, roughly 20% off their peak values.



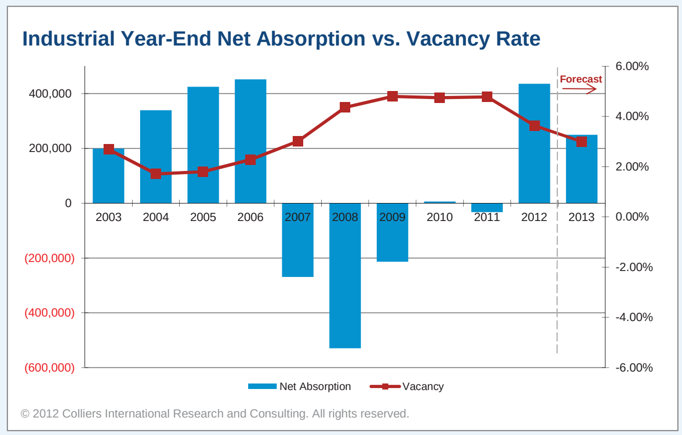
500 Ala Kawa Street

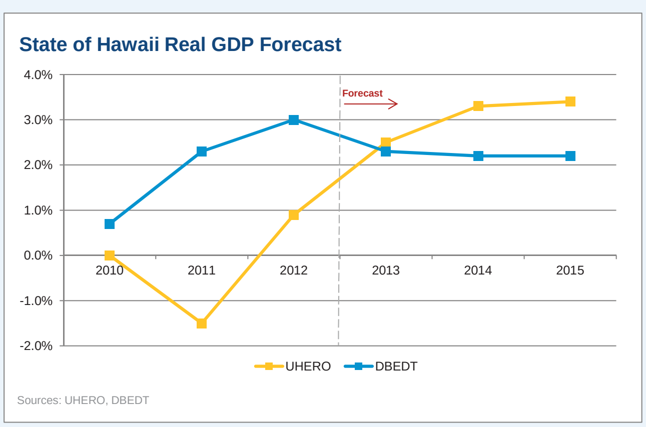


Optimistic Forecast for 2013

Both the State of Hawaii's Department of Business Economic Development and Tourism ("DBEDT") and the University of Hawaii Economic Research Organization ("UHERO") concluded that Hawaii is poised for real gross domestic product growth for the next few years. UHERO is more optimistic than the State, with projections of average annual growth of 3.1% for 2013 to 2015 versus DBEDT's more modest prediction of 2.2%.

In a separate forecast, UHERO projected very strong growth for the construction sector. Between 2012 and 2014, construction sales, permit volume and jobs are all forecasted to rise. Contracting tax base is anticipated to jump 14.4% from $6.376 billion for 2012 to $7.294 billion in 2013. A record $8.37 billion in contracting volume is projected for 2014.

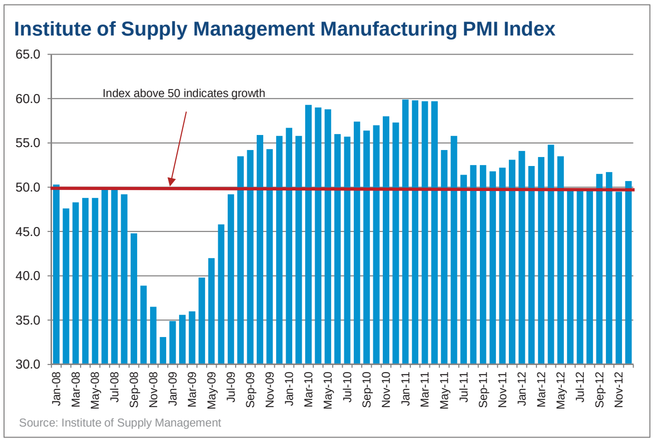




The positive economic forecasts and strengthened industrial market conditions provide support for an upbeat 2013 Colliers forecast. We believe that industrial vacancy rates will continue to trend downward, and likely fall below 3.25% by year-end. Additionally, shortages of quality industrial space are occurring throughout the island. This tightening in market conditions will place strong upward pressure on rents. Most of the gains will be generated by urban Honolulu properties located near the harbor and the airport, as former State tenants are forced to relocate. This increased competition for space will push the islandwide industrial average asking NNN base rent above $1.00 psf/mo.

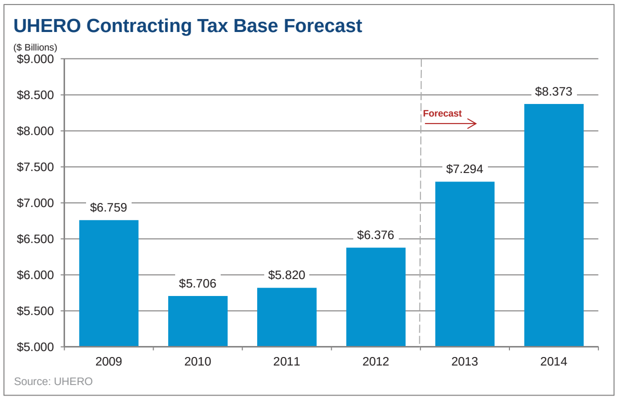
Hurricane Sandy and Fiscal Cliff Impact

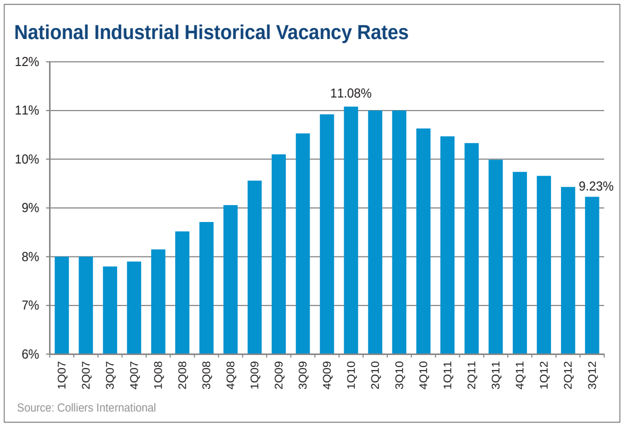
The U.S. Bureau of Economic Analysis recently revised its estimate upward for the third quarter 2012 national gross domestic product ("GDP"). As GDP is the broadest measure of economic conditions for the U.S., this came as a welcome change as many economists anticipated lower levels of economic activity. The positive gains were experienced primarily from personal consumption expenditures, private inventory investment, federal government spending, and a gain in exports.



The Institute of Supply Management ("ISM") Manufacturing Purchasing Managers Index posted its fourth consecutive month of expanding orders and boosted optimism among manufacturing hiring managers. Survey respondents who had indicated that they anticipated a slowdown in demand based on "fiscal cliff" concerns were relieved when Washington reached a compromise.

The Federal Reserve reported that industrial production and capacity utilization fell nationally during the month of October as Hurricane Sandy dampened industrial activity by as much as one percentage point. The production of consumer goods, business equipment, transportation, construction supplies, defense and space equipment all reflected downturns. Additionally, manufacturing output fell 0.9% with a slowdown in both durable and non-durable goods. The factory operating rate fell by 2.9 percentage points from its long run average.





The Colliers third quarter 2012 national industrial report shows the eighth consecutive quarterly decline in vacancy rates to 9.23%. Despite the decline in available space due in part to strengthening freight utilization figures, Colliers analysts warned that the second half of 2012 should be viewed with caution. As Washington wrangles with sequestration, its impact remains of great concern for businesses considering expansion or development of new facilities. Luckily, speculative warehouse construction has remained muted and an industrial oversupply situation has been kept in check.

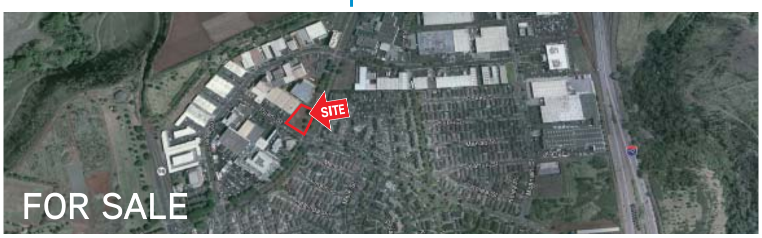
YEAR END 2012 Oahu Industrial Market Statistics

INDUSTRIAL MARKET - BY SUBMARKET AREA

	NO. OF BUILDINGS	BUILDING AREA	AVAILABLE SPACE	4Q NET ABSORPTION	YTD NET ABSORPTION	VACANCY RATE	DIR. WTD. AVG. ASKING RENT (NNN)	AVG. NET OP. EXP.
KALIHI / SAND ISLAND	743	9,523,960	329,683	73,216	192,270	3.46%	$0.95	$0.38
KAPALAMA MILITARY RESERVE	19	1,250,000	0	0	0	0.00%	N/A	N/A
IWILEI	96	2,353,679	132,268	(7,237)	(44,671)	5.62%	$0.84	$0.45
AIRPORT / MAPUNAPUNA	229	8,580,726	120,068	85,457	28,889	1.40%	$1.25	$0.44
BOUGAINVILLE / HALAWA	104	3,428,232	115,746	(5,341)	83,986	3.38%	$0.89	$0.32
PEARL CITY / PEARL CITY INDUSTRIAL / AIEA	76	2,407,716	70,491	56,833	126,891	2.93%	$0.74	$0.40
WAIPAHU / MILLTOWN	155	3,140,570	195,740	(30,576)	(120,256)	6.23%	$1.00	$0.32
GENTRY BUSINESS PARK	66	1,775,915	137,640	(33,732)	10,695	7.75%	$1.05	$0.46
CAMPBELL INDUSTRIAL PARK / KAPOLEI BUSINESS PARK / KENAI	254	5,605,778	325,085	44,602	104,535	5.80%	$0.89	$0.20
KAILUA	49	510,189	12,760	(800)	15,940	2.50%	$1.33	$0.31
KANEOHE	41	602,851	29,487	7,817	(6,364)	4.89%	$0.91	$0.29
TOTALS*	**1,832**	**39,179,616**	**1,468,968**	**190,239**	**391,915**	**3.75%**	**$0.96**	**$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.

Featured Properties



94-1108 Ka Uka Boulevard
Waipahu, Hawaii

TMK: (1) 9-4-99: parcel 31
Size Available: 40,312 SF
Purchase Price: $3,267,000 ($75 PSF)
Contact: Ronald C. Ward (S)
Zoning: I-2 Intensive Industrial
Tenure: Fee Simple

94-485 Ukee Street
Waipahu, Hawaii

TMK: 1-9-4-99; parcel 14
Available Size: 7,200 SF
Base Rent: $1.15 psf/mo
Term: Negotiable
Contact: Scott L. Mitchell (B) SIOR
Zoning: I-2 Intensive Industrial
Land Size: 16,000 SF
CAM: $0.23 psf/mo

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