



OAHU FIRST QUARTER 2012 INDUSTRIAL MARKET REPORT



MARKET INSIGHT

"Companies started 2012 with the mantra that it is time to do business again!"

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

MARKET INDICATORS

	FIRST QUARTER	
	2011	2012
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↓	↑

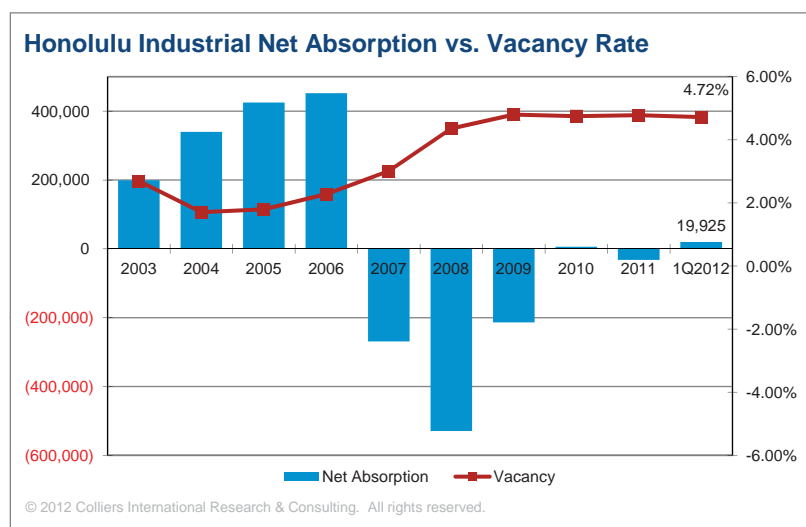
INDUSTRIAL HIGHLIGHTS

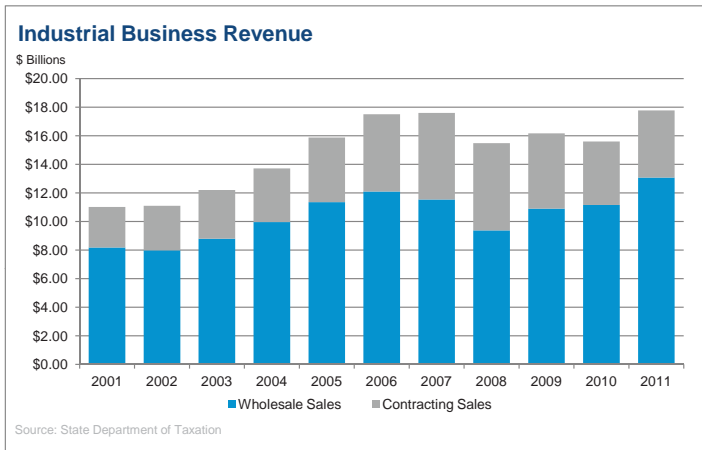
YTD NET ABSORPTION	19,925 SF
VACANCY RATE	4.72%
DIRECT WEIGHTED AVERAGE ASKING RENT (NNN)	\$0.95 PSF/MO
AVERAGE OPERATING EXPENSE	\$0.32 PSF/MO

Market Improvement Starts to Appear

Honolulu's industrial market appears to be improving as the first quarter posted 19,925 square feet of positive net absorption. Vacancy rates registered a slight decline from the fourth quarter of 2011.

Industrial leasing agents are noticing a pick up in activity as tenants are once again searching for alternatives for their companies' operations. This anecdotal evidence corresponds to the boost in 2011 industrial business revenue which increased by a healthy 13.1% over 2010 levels. The biggest gains were among wholesale/distributors which posted a gain of more than 17% over 2010 figures reflecting nearly \$2 billion in additional sales. This coincides with the robust gains in retail sales that were established over the past year. Additionally, for the first time in three years, contracting sales increased in 2011 by 6% over 2010 levels.

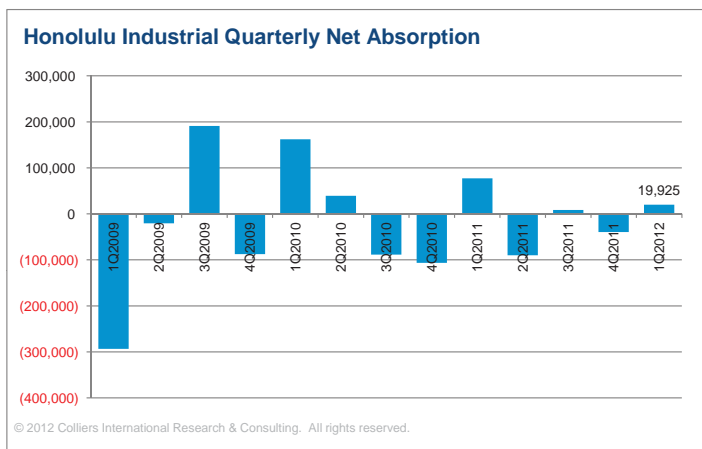




Despite the pick-up in industrial sales activity, there still remains some soft spots among Oahu’s industrial market’s economic indicators. Job growth remains tepid with employment levels declining over the past five consecutive years. An estimated 11,650 jobs have been eliminated since December 2006, the peak of the last economic boom, with the heaviest concentration of job losses seen in the construction, warehousing and transportation sectors.

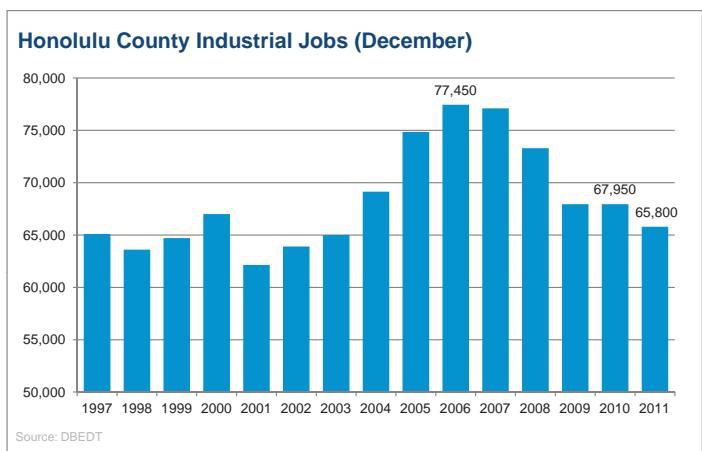
The 2011 construction permit volume of \$1.27 billion reflects a 6.2% decline from 2010 levels and is still well off the pace established in 2007 of \$1.68 billion. There remains optimism that construction activity is going to improve over the mid-term horizon spurred by the \$5.2 billion light rail project, Department of Transportation’s airport and harbor developments, and several high rise residential condominium and commercial retail projects.

Additionally, the Land Use Committee is currently reviewing the Hoopili and the Koa Ridge master-planned communities. Once approved, these projects will boost the number of construction jobs and strengthen demand for industrial land and buildings in West and Central Oahu.



Market Asking Rents Increase

The direct weighted average asking rent rose for the first time in five years, increasing from a year-end 2011 level of \$0.92 per square foot per month (“psf/mo”) to \$0.95 psf/mo in the first quarter of this year. The submarkets that posted the greatest quarterly gains were Kailua, Waipahu/Milltown and Airport/Mapunapuna submarkets, with 31.9%, 14.34% and 8.11% increases, respectively.



150 Kaulele Place



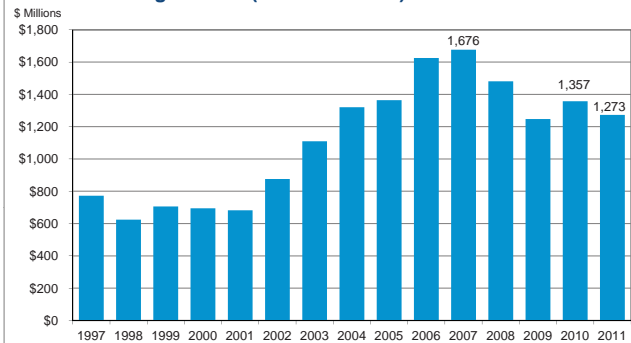
Newtown Business Park

The industrial rental rate regression analysis reports similar trends with negotiated base rents having increased over the past quarter. Tight market conditions still persist for quality warehouse space and although rents have declined from their peaks, they appear to have stabilized and are anticipated to increase over the near term for highly desired industrial space in urban Honolulu locations.

Favorable Outlook for 2012

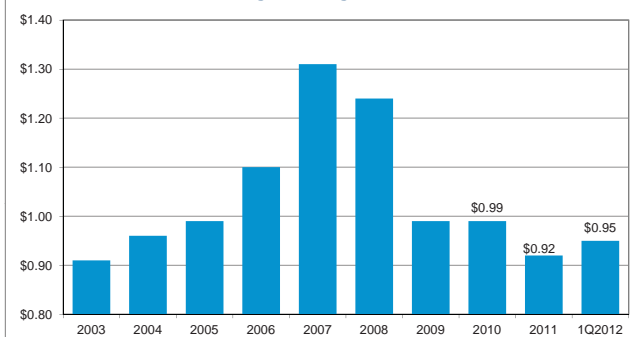
The University of Hawaii Economic Research Organization is forecasting improvement in construction activity which bodes well for Oahu's industrial marketplace. After five years of tough market conditions, warehouse demand will be positively impacted if this optimistic outlook manifests itself in increased construction projects. Additionally, the recent rebound in tourism has already translated into healthy retail sales and is boosting wholesaling activity. However, doubt still lingers as to whether the recent positive first quarter performance will maintain itself through the rest of the year. Global impacts and rising fuel prices are generating concerns over the potential slowdown in national and local economic growth. Should the next few quarters post positive net absorption, we can optimistically assume that the bottom of the market has been breached.

Private Building Permits (YTD December)



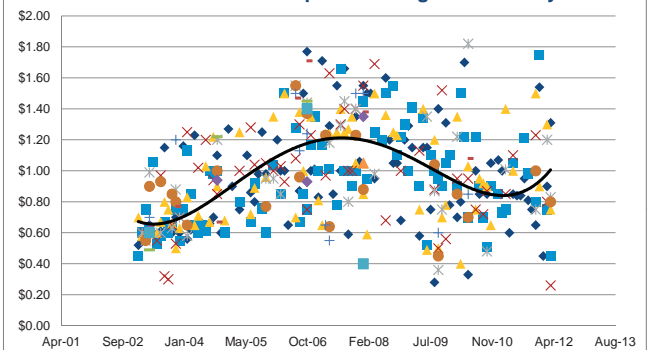
Source: DBEDT

Honolulu Industrial Average Asking Rents



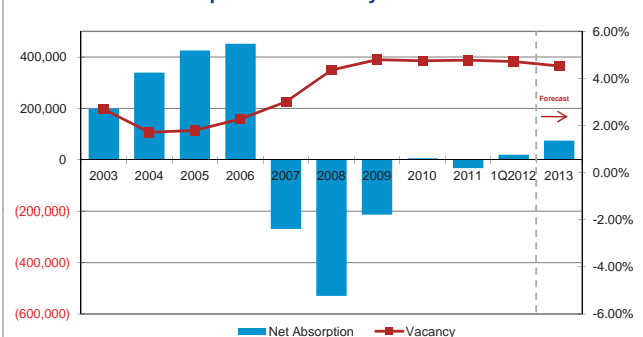
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Honolulu Industrial Lease Comparables Regression Analysis



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Industrial Net Absorption vs. Vacancy Rate Forecast



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FIRST QUARTER 2012 Oahu Industrial Market Statistics

INDUSTRIAL MARKET - BY SUBMARKET AREA

	NO. OF BUILDINGS	BUILDING AREA	AVAILABLE SPACE	1Q YTD NET ABSORPTION	VACANCY RATE	WTD. AVG. NET ASKING RENT	AVG. NET OP. EXP.
KALIHI / SAND ISLAND	717	9,489,036	507,618	14,335	5.35%	\$0.98	\$0.29
KAPALAMA MILITARY RESERVE	19	1,250,000	0	0	0.00%	N/A	N/A
IWILEI	95	2,433,603	90,382	(2,785)	3.71%	\$1.09	\$0.48
AIRPORT / MAPUNAPUNA	226	8,457,340	232,250	(83,293)	2.75%	\$0.98	\$0.29
BOUGAINVILLE / HALAWA	104	3,389,717	163,885	35,847	4.83%	\$0.90	\$0.30
PEARL CITY / PEARL CITY INDUSTRIAL / AIEA	76	2,407,716	181,682	15,700	7.55%	\$1.02	\$0.38
WAIPAHU / MILLTOWN	153	3,127,234	110,618	(35,134)	3.54%	\$0.88	\$0.32
GENTRY BUSINESS PARK	66	1,775,845	129,098	19,237	7.27%	\$1.02	\$0.48
CAMPBELL INDUSTRIAL PARK / KAPOLEI BUSINESS PARK / KENAI	254	5,605,778	388,249	41,371	6.93%	\$0.83	\$0.27
KAILUA	49	510,189	21,700	7,000	4.25%	\$1.37	\$0.31
KANEOHE	41	546,601	15,476	7,647	2.83%	\$0.67	\$0.43
TOTALS*	1,800	38,993,059	1,840,958	19,925	4.72%	\$0.95	\$0.32

* 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 For Lease



179 Sand Island Access Road, Honolulu, Hawaii

TMK: 1-1-2-22-24 Zoning: I-2 (Intensive Industrial)
 Size Available: 14,548 SF (Unit C) Term: Negotiable
 Gross Rent: \$16,500.00
 Contact: William "Bill" Froelich (S) JD CCIM SIOR
 Gail Jennings (S)



91-300 Kalaeloa Boulevard, Kapolei, Hawaii

TMK: (1) 9-1-32: parcel 93 Zoning: I-2 (Intensive Industrial)
 Size Available: 3.03 acres (131,987 SF) Term: 5 years or longer
 Base Rent: \$0.23 psf/mo CAM: \$0.021 psf/mo (RPT only)
 Contact: Mark Bratton (R) CCIM
 Ronald C. Ward (S)

EXECUTIVE MANAGEMENT

Sarah Lee Morihara (S)
 President/Managing Director
 +1 808 523 9706
 sarah.morihara@colliers.com

Guy V. Kidder (B) CCIM SIOR
 Vice President
 +1 808 523 9735
 guy.kidder@colliers.com

Victoria Ferrante (S) CPM, CCIM
 Account Manager

Gary Evora (S)
 Account Manager

CONSULTING & RESEARCH

Mike Y. Hamasu
 Consulting & Research Director
 +1 808 523 9792
 mike.hamasu@colliers.com

Ronald C. Ward (S)
 Vice President
 +1 808 523 9747
 ronald.ward@colliers.com

Nikki Nguyen (S)
 Account Manager

Nanette C. Macapanpan (S)
 Research Consultant/Project Manager
 +1 808 523 9764
 nanette.macapanpan@colliers.com

William "Bill" Froelich (S) JD CCIM SIOR
 Vice President
 +1 808 523 9711
 william.froelich@colliers.com

Shelley Morisaki (B)
 Senior Property Manager

Robert Sugiyama (S)
 Senior Property Manager

INDUSTRIAL SERVICES

Andrew D. Friedlander (B) SIOR
 Principal Broker
 +1 808 523 9797
 andrew.friedlander@colliers.com

Gail Jennings (S)
 Associate
 +1 808 523 8332
 gail.jennings@colliers.com

Melissa Ibanez (S)
 Property Manager

Vera Wagner (S)
 Property Manager

Scott L. Mitchell (B) SIOR
 Executive Vice President
 +1 808 523 9702
 scott.mitchell@colliers.com

Alika Cosner (S)
 Associate
 +1 808 523 8339
 alika.cosner@colliers.com

Clarissa Marquart (S)
 Property Manager

Diana Mariano (S)
 Property Manager

PROPERTY MANAGEMENT

Jenifer Bradley (S)
 Vice President

Debbie Perreira (S)
 Property Manager

COLLIERS INTERNATIONAL
 220 South King Street, Suite 1800
 Honolulu, Hawaii 96813
TEL +1 808 524 2666
FAX +1 808 521 0977

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