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<https://www.bizjournals.com/pacific/news/2016/11/11/west-oahu-special-edition-business-goes-west.html>

West Oahu Special Edition

West Oahu Special Edition: Business goes west

Industrial real estate market heats up in West Oahu, while Kapolei retail market sizzles

Nov 11, 2016, 11:00am HST

Kapolei is quickly becoming the next location in Oahu's industrial real estate market to see major growth.

With gas prices in Hawaii at their lowest in a half decade, more and more businesses in Honolulu are considering relocating to Kapolei, especially with industrial space near downtown extremely tough to find.

"The drop of gas prices, although [it may be] temporary, may be the catalyst to help [business owners] make that decision to relocate," Cullen Oesterly, a senior associate with CBRE Hawaii, told PBN. "I have put [at least] two to three tenants out in Kapolei, because they couldn't find something cost effective in town."

In addition to existing industrial parks such as the Kapolei Business Park, there's at least one other major project in the works.

Designs have been drafted for a 100,000-square-foot speculative warehouse building in the West Oahu city.

Honolulu-based Avalon Development Co., headed by Christine Camp, is reviewing the potential to build a large-bay, multitenant warehouse facility with 40-foot ceilings in Kapolei Business Park Phase II, according to a recent industrial real estate report by Colliers International Hawaii. Pre-leasing efforts have started with a delivery date projected for late 2017.

It appears that developers have heard about the difficulties industrial tenants are facing and are working on adding available warehouse inventory to the tight warehouse market.

The report said this development activity is a sign that the market is starting to address the severe shortfall of warehouse space on Oahu.

The owner of the 216,000-square-foot Kapolei Trade Center industrial park recently received the green light from the state Real Estate Commission to begin marketing units for sale.

The Kapolei Trade Center, located on about 12 acres of fee-simple industrial-zoned land, consists of 17 separate industrial buildings containing a total of 93 individual units ranging in size from 1,620 square feet



PNB FILE

TruTag Technologies is one of the businesses located in the Kapolei Trade Center.

to 22,136 square feet.

“This 93-unit industrial condominium development is anticipated to sell quickly, as it is one of only a few in Kapolei with available bays for sale or lease,” according to the Colliers report.

The initial sales prices for these condos are anticipated to exceed \$270 per square foot, the report said.

There are 192 industrial buildings in Kapolei totaling 6.7 million square feet, although there is just 131,230 square feet of available space. The vacancy rate at the end of the third quarter was 1.95 percent with average rents at \$1.23 per square foot per month.

Here’s a look at the other commercial real estate sectors in West Oahu:

Office

The Leeward Oahu office real estate market was one of just two submarkets on Oahu to see more space going back on the market in the third quarter, according to Colliers.

There was 19,061 square feet of space that became available in Leeward Oahu with 20,198 square feet becoming available so far this year, the most out of any submarket.

There are 13 office buildings in Leeward Oahu totaling 667,006 square feet of space. At the end of the third quarter, the vacancy rate stood at 12.13 percent with 80,937 square feet of vacant space.

Rents range from \$2.25 per square foot per month to \$2.49 per square foot per month.

Overall, the Oahu office market has been doing much better with 52,350 square feet of space being leased thus far this year. The vacancy rate, which has fluctuated between 12.12 percent and 13.55 percent, was at 12.38 percent at the end of the third quarter.

Retail

The Leeward Oahu retail real estate market got a big boost from the opening last month of DeBartolo Development’s first phase of its Macy’s-anchored Ka Makana Alii mixed-use regional shopping mall.

The mall’s first phase, which encompasses about 725,000 square feet, includes more than 100 shops and restaurants, a Consolidated Theatres luxury cinema and the state’s first Hampton Inn & Suites hotel.

The Leeward Oahu submarket saw 73,485 square feet of space coming back onto the market at the end of the third quarter, the largest amount of space out of any other submarket on Oahu.

Besides Honolulu, this submarket is the largest on Oahu in terms of total square footage with 4.4 million square feet, of which 186,257 square feet remains vacant, accounting for a 4.23 vacancy rate.

Rents in this submarket range from \$3.46 per square foot per month to \$3.97 per square foot per month.

The Target-anchored Kapolei Commons, another large shopping center in the area, has seen some growth with a slew of new tenants including Regal Cinemas, Hawaii chef Roy Yamaguchi’s Eating House 1849 restaurant, Gyu-Kaku restaurant, BIC Tacos, La Tour Cafe and Cafe Duck Butt’s DB Grill.

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