Tourism is the most important industry in Hawaii, especially in Honolulu, which is the leading economic center of the state.

- Hawaii’s economy is healthy and expected to maintain moderate growth. There are several large investment firms that have recently acquired or are actively perusing resort properties throughout the islands.

- With the continued recovery of the Japanese economy and an increased interest in secondary markets by U.S. mainland investors/developers, property values should continue to rise moderately throughout 2008.

- Honolulu’s Downtown office market is strong and office buildings are expected to receive increased attention from investors throughout 2008. A lack of leasable space above 15,000 SF may force larger tenants into suburban office markets. Nevertheless, tenants requiring between 1,000 to 15,000 SF of office space will be able to find suitable accommodations within the CBD. Rising rents and increased operating costs are causing some CBD tenants to relocate from Class A buildings into suburban Class B and C buildings. This trend is expected to continue.

- Hawaii’s industrial market remains tight. With low vacancy rates and little new inventory being introduced into the market, net rents should continue their upward trend in 2008; however, the increase will be at a slower pace than the previous two years. A majority of the industrial space that will be introduced into the market will be geared towards owner-users that require a footprint of less than 7,500 SF.

- Hawaii’s retail sector is benefiting from tremendous growth. With vacancy rates expected to reside between 2% and 3% until early 2009, tenants can expect double-digit rental increases. Major U.S. retailers are scheduled to enter the Hawaii market. Target’s first store, to be located in Kapolei, is scheduled to open in the first half of 2009. Walgreens currently has one store under construction and has plans to open three additional stores on Oahu in 2008. Projected retail land values should see moderate increases throughout 2008.