

# MARKETBEAT

## SAVANNAH, GA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q09

### ECONOMY

Over the last year and a half, the Metro Savannah economy has been subject to such global economic conditions as increasing unemployment, restricted capital for development and business growth and a significant slowdown in the housing sector. However, the local economy continues to remain stable relative to the state and nation because of its diversity including the nation's fourth busiest container port, the military complexes at Fort Stewart and Hunter Army Airfield, tourism, the 40,000 plus area college students and the continued influx of retirees and pre-retirees.

The Georgia Ports Authority released encouraging numbers in October 2009 that indicate a turn-around and increase in retail container traffic of 1.7% over October 2008. This trend continued through the end of 2009 with slight increases reported in container traffic over the previous year. The long term dynamics for the Ports of Savannah and Brunswick are projected to be very favorable as a result of the improvements underway at the Panama Canal and the continued migration of imports from the Far East from the West Coast to the East Coast Ports. The GPA is well positioned to capitalize on increased export activity and projected increases in intermodal transport throughout the country with the Garden City Terminal having on-dock facilities served by both Norfolk Southern and CSX Transportation.

### OVERVIEW

The exponential increase in the inventory of institutional grade warehouse space in Chatham County from 2005 to 2008 has resulted in an overall vacancy rate of 19.8% which represents a slight increase of .7% since the 2<sup>nd</sup> Quarter of 2009. This minor increase is attributed to vacancies in two larger buildings which were offset by several occupancies in the 100,000 to 150,000 square foot range. Speculative construction will continue to be on hold until the overhanging inventory of space available for sublease is absorbed. The total warehouse/distribution inventory in buildings greater than 100,000 square feet consists of approximately 24.7 million square feet of space in both Tenant and Owner occupied facilities and is currently 29.24% vacant which includes 1.6 million square feet available for sublease. The majority of this total warehouse/distribution space is non-owner occupied (16.5 million SF) and was constructed since 2003 by institutional grade developers.

### FORECAST

The Savannah/Chatham County Industrial Market will continue to attract distribution warehouse users in the 100,000 to 250,000 square foot range over the next twelve months with an emphasis on export driven users. Rental rates will remain soft until the overhanging product is absorbed with some concessions in place. There have been several significant announcements of new manufacturing firms moving into the Savannah Area to include Mitsubishi Power Systems in Pooler, CAP Barbell in Garden City and the Firth Rixson Metal Products firm in Liberty County. The recent announcements continue to reaffirm Savannah as a preferred location and we anticipate additional announcements by year end 2010. With virtually no speculative development over the next twelve to eighteen months, the vacancy rate for distribution warehouse space should decrease.

**GILBERT & LATTIMORE**  
Commercial Real Estate, LLC

### BEAT ON THE STREET


"The Savannah Area Industrial Market is well positioned to attract new businesses and warehouse users in 2010. The Market offers a diverse and flexible array of facilities, suited for a wide range of uses within close proximity to Savannah's deepwater container port. Additional factors that will facilitate positive absorption in the upcoming year include the Port's unmatched and strategically positioned infrastructure which will help attract the growing number of export oriented firms and users that require buildings with access to state of the art intermodal facilities." – *Stephen D. Ezelle, CCIM, Senior Associate, Gilbert & Lattimore Commercial*


### ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Savannah Region			
Unemployment	6.6%	8.3%	N/A
Employment Growth	-1.7%	-3.2%	N/A

Source: Moody's | Economy.com

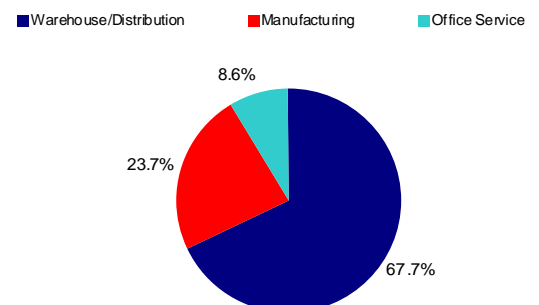
### MARKET FORECAST

**LEASING ACTIVITY** will increase during 2010 as new Tenants in the Market begin to take advantage of low rates and newly finished vacant space. 

**DIRECT ABSORPTION** is expected to remain flat, potentially increasing by 3<sup>rd</sup> or 4<sup>th</sup> Q 2010 as space available for sublease continues to be absorbed. 

**CONSTRUCTION:** Speculative construction will continue to decline through the middle of 2012 until overhanging inventory is absorbed. 

### INVENTORY BY PROPERTY TYPE



### MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY***	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
				HT	MF	OS	W/D
Downtown / Eastside	3,273,874	94	3.8%	N/A	N/A	\$7.75	\$4.85
Port Corridor	14,002,074	107	9.0%	N/A	N/A	\$6.71	\$3.83
Crossroads / Dean Forest	22,327,773	299	25.0%	N/A	N/A	\$8.13	\$3.84
Southside / Highway 17	2,327,432	56	29.1%	N/A	N/A	\$6.95	\$4.23
Westside	2,107,785	9	51.4%	N/A	N/A	\$9.26	N/A
<b>Chatham County</b>	<b>44,038,938</b>	<b>565</b>	<b>19.8%</b>	<b>N/A</b>	<b>N/A</b>	<b>\$8.01</b>	<b>\$3.89</b>

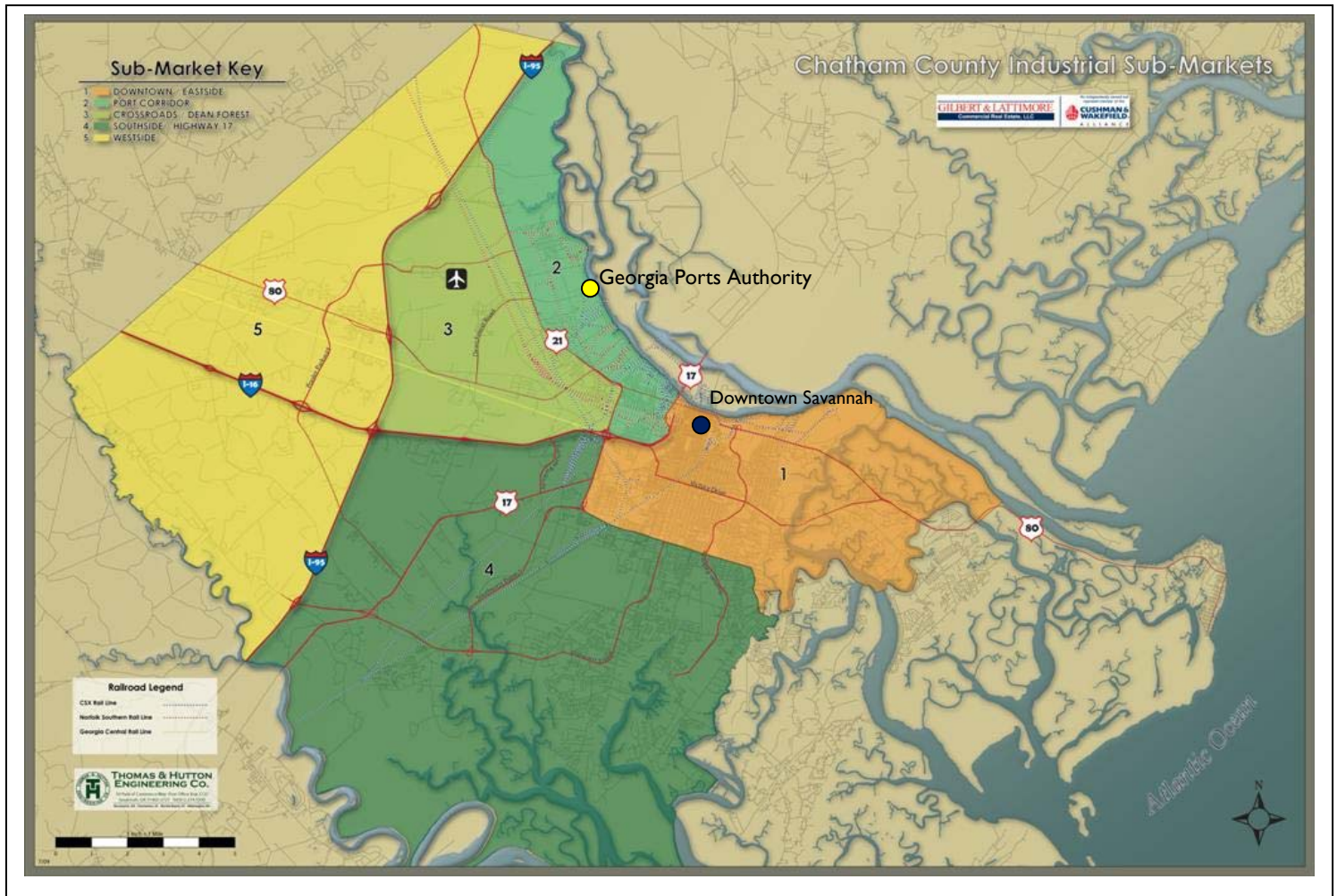
\*Rental rates reflect \$psf/year and do not include space available for sub-lease

\*\*Additional sub-markets will be included in 2<sup>nd</sup> Quarter 2010 report to include Bryan, Effingham and Liberty Counties

\*\*\*Owner and Tenant occupied buildings 5,000 square feet and larger

HT = High Tech (Does not exist in market) MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

### CHATHAM COUNTY SUB-MARKETS:



### MARKET HIGHLIGHTS

SIGNIFICANT 3Q & 4Q 2009 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
198 Gulfstream Road	Crossroads/ Dean Forest	Gulfstream Aerospace	150,000	Warehouse/Distribution
194 Gulfstream Road	Crossroads/ Dean Forest	Gulfstream Aerospace	100,000	Warehouse/Distribution
Westport Business Park - Building I	Crossroads/ Dean Forest	ABRO Industries, Inc.	158,000	Warehouse/Distribution
Savannah Logistics Park - Building B	Westside	Matson	100,000	Warehouse/Distribution
SIGNIFICANT 3Q & 4Q 2009 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
602 Expansion Boulevard	Crossroads/ Dean Forest	Duke Realty	400,000	\$15,088,900
SIGNIFICANT 3Q & 4Q 2009 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Flowers Foods	Crossroads/ Dean Forest	Flowers Foods	12,000	4Q / 2009
LKQ Corporation	Crossroads/ Dean Forest	LKQ	60,000	3Q / 2009

As summarized in the preceding table, several notable projects and transactions have occurred during the second half of 2009 providing the market with a sense of momentum for the upcoming year. The region has also benefited from recent announcements of large manufacturing firms selecting the Savannah Market to include Mitsubishi Power Systems, CAP Barbell, Inc. and Firth Rixson Limited in Liberty County. Mitsubishi Power Systems began construction of a \$325 Million, gas fired turbine manufacturing facility on a 120-acre portion of the State of Georgia "Mega Site" at the intersection of Interstates 95 and 16. Plans call for the initial phase of construction of a 140,000 square foot building to be completed in October of 2010. At build-out, the facility will contain a total of six buildings and employ over 500 skilled laborers. CAP Barbell, Inc. has also recently broken ground on a regional assembly and distribution center near the Port of Savannah that represents a \$4 Million investment slated for a June 2010 opening.

During the second half of 2009 the market continued to benefit from moderate leasing activity with the most recent significant transaction being in the Westport Business Park developed by Solution Property Group for 158,000 square feet leased to ABRO Industries, Inc. ABRO will operate an East Coast export facility from Westport which confirms the Port of Savannah's ability to attract and service east coast export businesses. Other significant lease transactions in the 3<sup>rd</sup> and 4<sup>th</sup> Quarters of 2009 include a total of 250,000 square feet in two of Duke Realty's buildings on Gulfstream Way to Gulfstream Aerospace and an additional 100,000 square feet of warehouse space leased to Matson in the Savannah Logistics Park on Pooler Parkway in the Westside Sub-Market.

Overall, the Savannah Industrial Market is poised for positive absorption in 2010 as a result of incoming new business and users of the port, which can be attributed to a strategically planned system of interstates, railways, a wide range of available warehouse space and a central location on the East Coast. Additional momentum will be generated by the future permitting of the proposed deepening of the Savannah harbor which is scheduled to coincide with the completion of the Panama Canal improvements.

For industry-leading intelligence to support your real estate and business decisions please contact:



Gilbert & Lattimore Commercial Real Estate, LLC  
 104 West State Street, Suite 220  
 Savannah, Georgia 31401  
 (912) 236-8992 or www.gilcre.com

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\*Market terms & definitions based on BOMA and NAIOP standards.

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