

MARKETBEAT OFFICE SNAPSHOT



SAVANNAH, GA

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ECONOMIC OVERVIEW

According to the Coastal Empire Economic Monitor for 3Q2011 published by Armstrong Atlantic State University, the metropolitan Savannah area economy has continued to expand at a relatively slow pace for the seventh consecutive quarter. As of November 2011, the unemployment rate for the metropolitan Savannah area was 8.4% versus 9.0% in November 2010. By comparison, 4Q2011 unemployment rates for the State of Georgia and the U.S. were 9.9% and 8.6% respectively.

Historically, the Savannah area has benefitted from a diverse economy anchored by the Nation's 4th busiest and fastest growing container port, tourism, multiple military bases, the presence of 40,000 plus college students and the continued influx of pre-retirees and retirees.

Expectations are for slow but steady growth to continue for the metropolitan Savannah economy for the first half of 2012 as tourism and the port continue to thrive. However, job growth is not expected to rise significantly which does not bode well for Savannah's office market fundamentals.

MARKET OVERVIEW

The overall vacancy rate for Savannah's metro office market has decreased from 22.6% to 22.1% over the last four quarters. The corresponding vacancy rate for the CBD market, which comprises 37.2% of the total office market, increased from 24.6% to 25.1%. Over this same period, asking rental rates remained essentially unchanged with the total market slightly decreasing from \$18.82 to \$18.77 per square foot annually.

The CBD market, which comprises the core financial, insurance, real estate and legal sectors, witnessed the continued development of the 71,883 square feet (sf) Cay Building on Ellis Square which is anchored by the 45,000 sf U.S. Attorney's office and slated for completion in April 2012. No leases have been announced for the 20,000 sf of speculative office space and/or 7,000 sf of ground floor retail space. The tenant improvements are nearing completion for the 16,300 sf space of Titlemax within Johnson Square Business Center. Having no success in leasing the 16,000 sf of the former First City Club, the Landlord of the Manger Building is offering it for lease as retrofitted office space on a subdivided basis. The former 50,000-sf headquarters building for SEPCO located at 600 East Bay Street is vacant and has been on the market for the last 18 to 24 months. Several community banks are anticipating downsizing for 2012 which could bring significant inventory on the market thereby further reducing effective rental rates within the CBD.

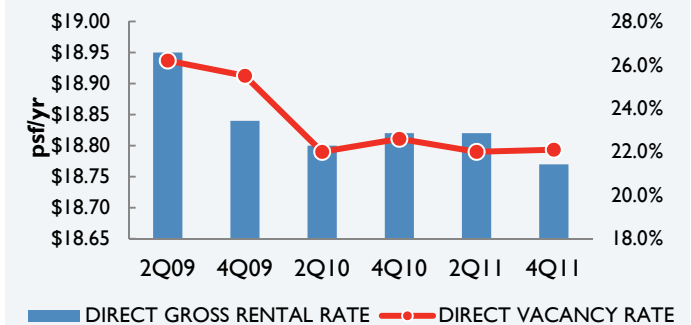
OUTLOOK

There will be continual downward pressure on effective rental rates due to the lack of measurable job growth and as landlords continue to compete for the limited number of tenants by offering concessions. With the exception of a limited number of GSA requirements, several of which are currently on hold due to federal funding limitations, no new and/or speculative office development is anticipated over the next 12 to 24 months. Additionally, additional contraction is expected within the banking and financial service sectors.

STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	22.6%	22.1%	-0.5pp	▼
Direct Asking Rents (psf/yr)	\$18.82	\$18.77	-0.3%	◀▶
YTD Leasing Activity (sf)	97,794	16,861	-82.7%	▼

DIRECT RENTAL VS. VACANCY RATES



CLASS A VS. CLASS B RENTS

