

MARKETBEAT INDUSTRIAL SNAPSHOT



SAVANNAH, GA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

Savannah's overall economy continues to remain stable relative to the state and nation due to its economic diversity including the nation's fourth busiest container port, a strong manufacturing and distribution employment

base, the military complexes at Fort Stewart and Hunter Army Airfield, tourism, two regional hospitals and the 40,000 plus area college students and continued influx of retirees and pre-retirees.

Throughout 2011, the Georgia Ports Authority has continued to report double digit growth in container volumes over the previous Fiscal Year (FY) 2010. Overall tonnage volumes released in November 2011 for the first half of FY2012 reflect a 5% increase in total volume over the same period for FY2011. September 2011 represented the second highest monthly volume ever recorded and the 18th consecutive month of double digit month-over-month growth since November 2009. 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, proposed Savannah Harbor Deepening Project, continued migration of imports from the Far East and West Coast to the East Coast Ports, the balance of import and export traffic and the State of Georgia's commitment to continue to invest in the Ports' infrastructure.

RECENT ACTIVITY

Savannah's distribution warehouse sector continued its slow and deliberate recovery throughout 2011. High vacancy rates in the 18% to 20% range in 2009 and 2010 as a result of the exponential increase and speculative construction of large distribution warehouse space that occurred during the peak of the market are beginning to return to equilibrium. The current overall vacancy rate of 12.5% represents a decrease of 3.8 percentage points since the fourth quarter of 2010. This decrease in vacancy is mostly attributable to several 100,000 square feet (sf) to 175,000-sf leases to third party logistics providers responding to demand as a result of increased Port activity.

VACANCY IN BIG BOX WAREHOUSES

The bulk of the vacancy in the Savannah market continues to reside within the big box warehouse sector as a result of the speculative construction of large distribution/warehouse space from 2003 to 2007 which results in a total inventory in buildings greater than 100,000 sf of 25.6 million square feet (msf) of space. This sector of the market is predominantly non-owner occupied space and consists of 16.8 msf constructed since 2003 and is currently 18.2% vacant which includes 458,805 sf currently available for sublease.

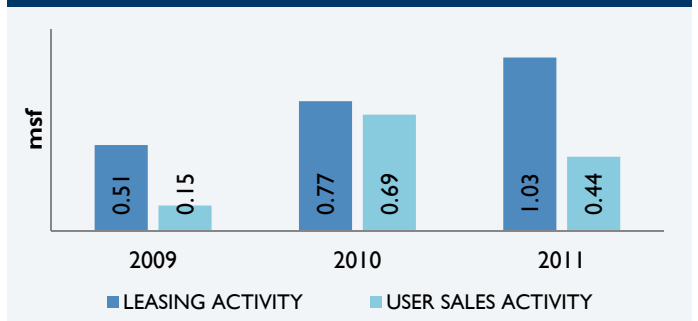
OUTLOOK

Savannah's location, dynamic rail and road infrastructure and the availability of quality land for development within close proximity to the Port should continue to attract major manufacturers and warehouse users to the market. Recent significant announcements such as Gulfstream Aerospace's new 500-million dollar expansion with plans to create an additional 1,000 jobs and Mitsubishi Power Systems' accelerated build-out and hiring hiring of 200 additional employees are just a few examples that reaffirm Savannah's dynamic economy relative to a preferred location for distribution and manufacturing. Savannah's Port will also continue to expand as a result of a well balanced ratio of import and export related throughput. Overall, the outlook for 2012 is favorable as the industrial market will continue recover.

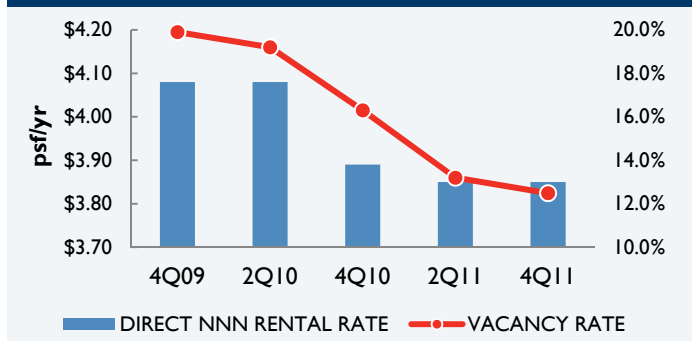
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	16.3%	12.5%	3.8pp	▼
Direct Asking Rents (psf/yr)	\$3.89	\$3.85	-1.1%	◀▶
YTD Leasing Activity (sf)	774,530	1,029,876	33.0%	▲

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



SAVANNAH

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE		
								MF	OS	W/D
Downtown/Eastside	3,298,874	2.5%	50,025	34,525	0	0	50,025	\$0.00	\$8.23	\$4.25
Port Corridor	14,077,074	6.1%	190,361	0	0	75,000	190,361	\$0.00	\$7.04	\$3.79
Crossroads/Dean Forest	23,521,979	13.8%	573,975	404,326	350,000	450,206	535,415	\$4.50	\$8.16	\$3.61
Southside/Highway 17	2,327,432	29.5%	12,000	0	0	0	12,000	\$0.00	\$6.95	\$4.02
Westside	2,107,785	37.9%	203,515	0	0	0	156,440	\$0.00	\$9.41	\$3.75
TOTALS*	45,333,144	12.5%	1,029,876	438,851	350,000	525,206	944,241	\$4.50	\$8.20	\$3.71

* RENTAL RATES REFLECT TRIPLE NET ASKING \$PSF/YEAR

MF = MANUFACTURING OS = OFFICE SERVICE/FLEX W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS

	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
232 Bourne Avenue	Crossroads/Dean Forest	Port City Logistics	Warehouse	180,000
104 Norwest Court	Westside	Hartsfield Warehousing	Warehouse	175,000
200 Ocean Link	Crossroads/Dean Forest	GFA, Inc.	Warehouse	140,000
980 Bourne	Crossroads/Dean Forest	Savannah Re-Load	Warehouse	75,000
101 Clyde Alexander	Crossroads/Dean Forest	RBW Logistics	Warehouse	46,000

SIGNIFICANT 2011 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
2509 Bourne Avenue	Crossroads/Dean Forest	Duke Realty	\$11,300,000	329,326

SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
151 Crossroads Parkway	Crossroads/Dean Forest	Dollar Tree - Expansion	4Q11	407,581
2031 Louisville Road	Port Corridor	JIT	3Q11	75,000
225 Bourne Boulevard	Crossroads/Dean Forest	Lummus - Expansion	2Q11	42,625

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
40 Sonny Perdue Drive	Crossroads/Dean Forest	The Judge Organization	3Q12	350,000