

FIGURES | SAVANNAH INDUSTRIAL | Q4 2023

# Record deliveries and leasing activity showcase continued growth

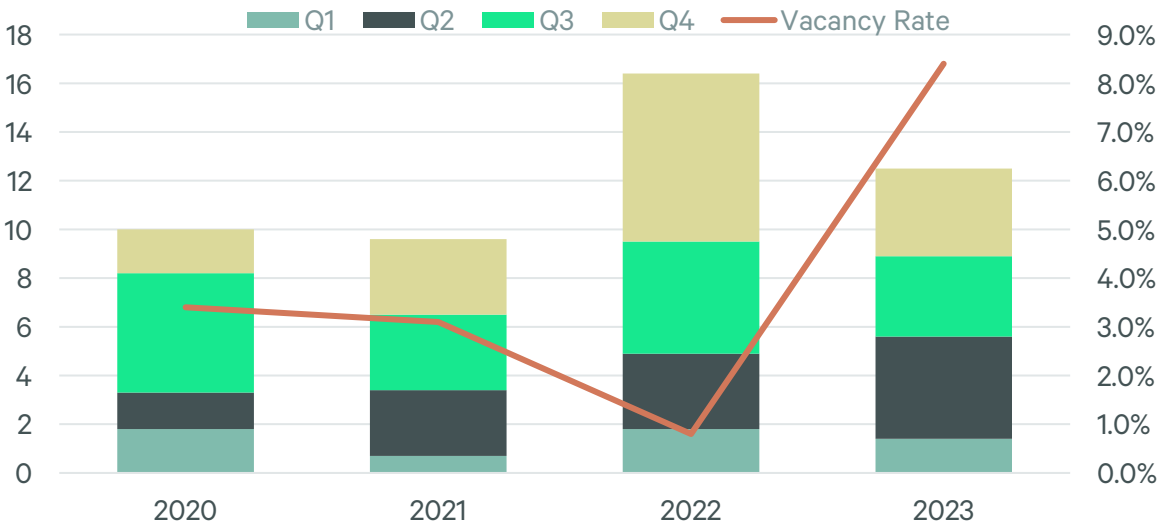


Note: Arrows indicate change from previous quarter.

Key Takeaways

- Leasing activity of 15.4-million sq. ft. was the highest annual amount of industrial space leased in Savannah’s history.
- Absorption moderated slightly from the record level in 2022, but still was elevated, ending the year at 12.4-million sq. ft.
- Overall vacancy in the market rose 760 basis points year-over-year to 8.4% as a result of the record construction completions.
- Despite the slight decrease quarter-over-quarter, the average NNN rate for Savannah increased by 15.3% annually.
- In 2023, Savannah’s industrial market witnessed its highest amount of space delivered in a year at just under 21-million sq. ft.
- The development pipeline has fallen to 13.4-million sq. ft, a decrease of 53% from Q1 2023.
- With only 3.8-million sq. ft. breaking ground during the second half of 2023, the market is expected to see less first-generation space available in the latter half of 2024 and early 2025.

FIGURE 1: Quarterly Net Absorption and Total Vacancy Rate  
Million Sq. Ft.



Source: CBRE Research, Q4 2023

Market Overview

- The Savannah industrial market is one of the most attractive in the country for investors and occupiers.
- The Port of Savannah added 1.5 million TEU annual capacity in 2023 with the reopening of Berth 1 at the Garden City Terminal, which is one of four berths that can handle 16,000-plus TEU ships.
- The Port of Savannah is the third busiest and fastest growing port in the nation. The Georgia Ports Authority is underway on growth projects to increase overall container capacity from the current level of 6.0-million twenty-foot equivalent units (TEU) to 9.5-million TEU's by 2026, an increase of 60%.
- The Savannah industrial market still remains one of the fastest growing in the country and has grown more than 43.5 MSF in three years. The Garden City Terminal is the largest single container terminal in North America, providing tremendous operational advantages.
- Recent deliveries of record spec construction numbers in 2022 & 2023 have pushed the vacancy rate to its highest point in years. Vacancy is expected to remain at these levels through the end of 2024 and drop quickly in 2025, with very few deliveries planned for 2025.
- Georgia's largest economic development announcement in history - the Hyundai Metaplant - is set to complete in Q1 2025, bringing additional suppliers to the market who will lease traditional distribution space.

Survey Criteria

Includes all classes of competitive warehouse/distribution, shallow bay, and flex space 10,000 sq. ft. and greater in Bryan, Chatham, Effingham, and Liberty County, Georgia, and Jasper County, South Carolina. Buildings under construction are evidenced by site excavation or foundation work. Excludes self-storage, specialized manufacturing, data centers, and industrial outdoor storage.

\*Note: CBRE Research began tracking Jasper County, South Carolina, as part of the Savannah industrial market in Q3 2022. Historical adjustments were made to data going back to the beginning of 2022.

FIGURE 2: Market Statistics

Quarter/Year	Market Rentable Area (sq. ft.)	Total Vacancy Rate %	Total Avail Rate %	Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Avg. NNN Lease Rate (\$/sq. ft./Yr)
Q4 2023*	121,325,078	8.4	10.2	3,585,717	12,437,728	13,424,474	\$7.02
Q3 2023*	115,578,199	7.0	7.6	3,257,474	8,852,011	15,853,173	\$7.11
Q2 2023*	108,785,907	3.8	4.6	4,227,713	5,594,537	22,141,689	\$6.26
Q1 2023*	101,367,620	0.6	1.1	1,366,824	1,366,824	28,593,851	\$6.16
Q4 2022*	100,367,620	0.8	1.6	6,858,881	16,455,221	26,269,775	\$6.09
Q3 2022*	94,415,220	0.5	0.5	4,632,622	9,596,340	25,435,509	\$6.02
Q2 2022*	88,028,901	0.7	1.9	3,133,220	4,963,718	23,024,169	\$5.51
Q1 2022*	84,573,672	0.9	4.5	1,830,498	1,830,498	21,282,226	\$5.51
Q4 2021	84,573,672	3.1	3.5	3,122,973	9,69,954	17,657,211	\$5.48
Q3 2021	82,001,895	3.5	3.5	3,127,692	6,568,981	15,220,384	\$5.48
Q2 2021	79,163,460	3.5	3.8	2,679,277	3,441,289	9,137,976	\$5.40
Q1 2021	77,228,420	3.3	4.1	762,012	762,012	8,510,808	\$5.39
Q4 2020	77,684,656	3.4	5.6	1,813,426	10,001,530	7,985,212	\$5.32

Source: CBRE Research, Q4 2023

Net Absorption and Leasing Highlights

For 2023, the Savannah industrial market experienced its second highest annual net absorption at 12.4-million sq. ft. The persistent, and steady demand at the Port of Savannah has led to elevated, not to mention record, absorption levels over the past two years; a factor that has resulted in Savannah's industrial market topping Atlanta's industrial market in this category in 2023. To close the year, the fourth quarter saw just under 3.6-million sq. ft., a 10.1% increase quarter-over-quarter. The largest move-in during the quarter was Rowan Electric occupying 516,695 SF at Rockingham Farms Logistics Center - 9.

The leasing activity for the year surpassed the record previously set in 2021. At 15.4-million sq. ft. leased in 2023, this eclipsed the previous record by almost 14%. Leasing activity in Q4 was 3.4-million sq. ft. which is almost a 40% increase from the same period last year. Win.It America leasing 669,760 sq. ft. at Live Oak Logistics Center – Bldg. C was the largest deal of the quarter.

Vacancy

In Q4, the vacancy rate has soared to 8.4% in Savannah, marking a significant 760-basis-point increase compared to the previous year. The rise comes from the market witnessing a record 28.5 MSF of spec construction in Q1 2023, and the subsequent completions caused supply to catch-up with demand. There were very few construction starts in the latter half of 2023, with only a few buildings planned to delivery in 2025. Vacancy is expected to hover around 8-10% through the end of 2024 and come down sharply in the beginning of 2025.

FIGURE 4: Key Leasing Transactions

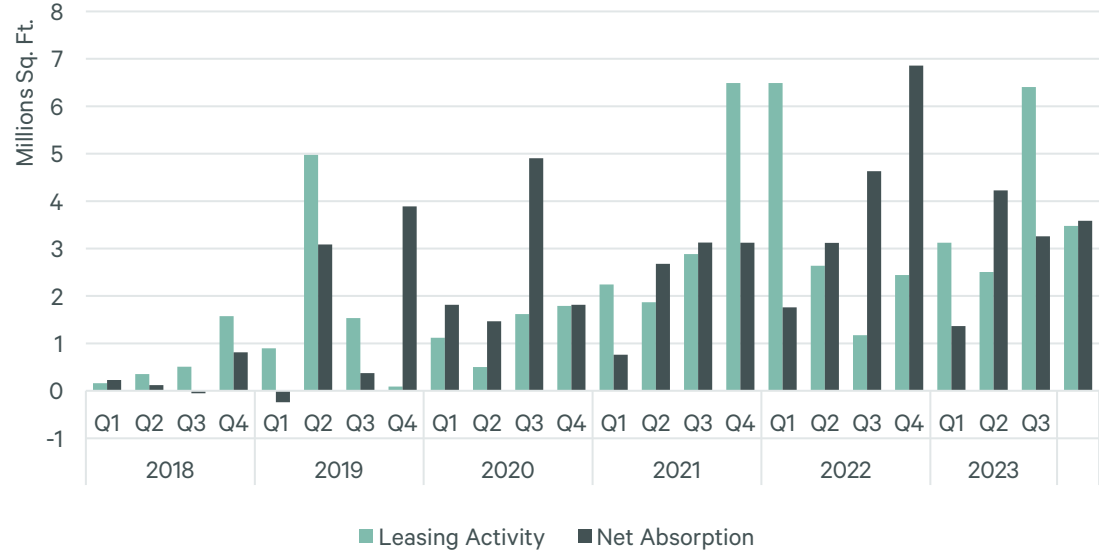
Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Win.It America	Live Oaks Logistics Ctr. – Bldg. C	669,760	Bloomingdale/Pooler	New Lease
Rowan Electric	Rockingham Farms Logistics Ctr. – Bldg. 9	516,695	Outlying Chatham County	New Lease
Gulfstream Aerospace	SunPort 95	437,644	Bloomingdale/Pooler	New Lease
East Coast Logistics	6030 Commerce Blvd	349,539	N Savannah/Garden City	New Lease

Source: CBRE Research, Q4 2023

FIGURE 3: Vacancy by Size Category

Size	Q4 Vacancy %
750K+	8.4%
500-750K	18.4%
300-500K	7.0%
Under 300K	3.8%

FIGURE 5: Net Absorption and Leasing Activity



Source: CBRE Research, Q4 2023

FIGURE 6: Warehouse/Distribution Total Vacancy

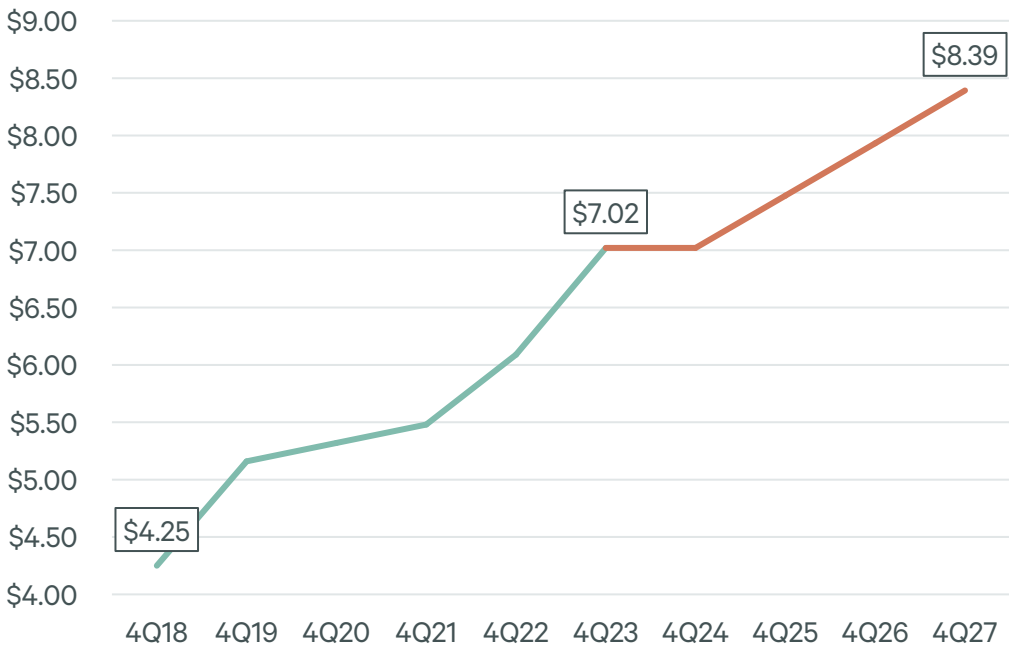


Source: CBRE Research, Q4 2023

### Industrial Rental Rates

The average NNN rental rate stands at \$7.02, a significant 15.3% increase compared to the previous year. Rates, however, experienced a slight decrease on a quarterly basis, primarily due to additional competition in the market. Landlords have been compelled to lower prices as a result of the influx of newly vacant properties available. The result is a market more in tune with overall supply-demand principles. Looking ahead to 2024, even more competition for rent growth is anticipated, particularly in the bulk warehouse sector where the majority of the vacancy exists. Conversely, smaller buildings are expected to maintain a steady pace of rent rate increases, as the level of competition is not as intense as in larger properties.

FIGURE 7: Historic & Projected Class A Warehouse/Distribution Rental Rates



Source: CBRE Research, Q4 2023

### Economic Development

According to Georgia Power Economic Development, the State of Georgia experienced significant economic growth, with the second highest performance in its history. In 2023, a substantial portion of job creation and capital investment in the state was allocated to the expansion of the electric vehicle (EV) industry. Notably, during the fourth quarter, Daechang Seat Corp., a manufacturer of automotive seat frames revealed plans for a \$72.5 million investment into the Savannah Chatham Manufacturing Center. The firm expects to generate over 500 job opportunities. Additionally, with the ongoing development of the Hyundai metaplant, Savannah is further solidifying its position as a prominent hub for electric vehicle manufacturing.

### Port of Savannah

Port of Savannah has continued to expand its capabilities and infrastructure throughout the year. Although the port's throughput decreased by 16% year-over-year, the year was relatively strong. During Q4, the Ocean Network Express (ONE) announced a new freight service uniting Savannah and West India beginning in May 2024. When the program begins, the Port of Savannah will have the largest number of ocean carrier services among ports in the mid-Atlantic to the Gulf of Mexico region. Additionally, the Garden City Terminal has successfully reopened at its full capacity for the first time in two and a half years. This significant milestone will enable the Port of Savannah to handle cargo with increased speed and efficiency, benefiting both importers and exporters.

Furthermore, the Georgia Ports Authority (GPA) has recently allocated a budget of \$127 million for the development of the Blue Ridge Connector, an inland rail terminal located in Gainesville, GA expected to be operational by 2026. However, a significant concern for the port going forward is the Panama Canal's drought, which has the potential to lead to a decrease in container activity along the entire East Coast. Entering 2024, the port is poised for a more promising year, largely due to the return of seasonality in the industry. The onset of the Covid pandemic forced a shift in the business model towards a "Just-in-case" holding strategy, where retailers stockpiled inventory in anticipation of potential disruptions. However, as this approach gradually diminishes, retailers are now reverting to stocking shelves during the holiday season instead of maintaining excessive inventory throughout the year. Consequently, this shift is resulting in increased container activity at the port.

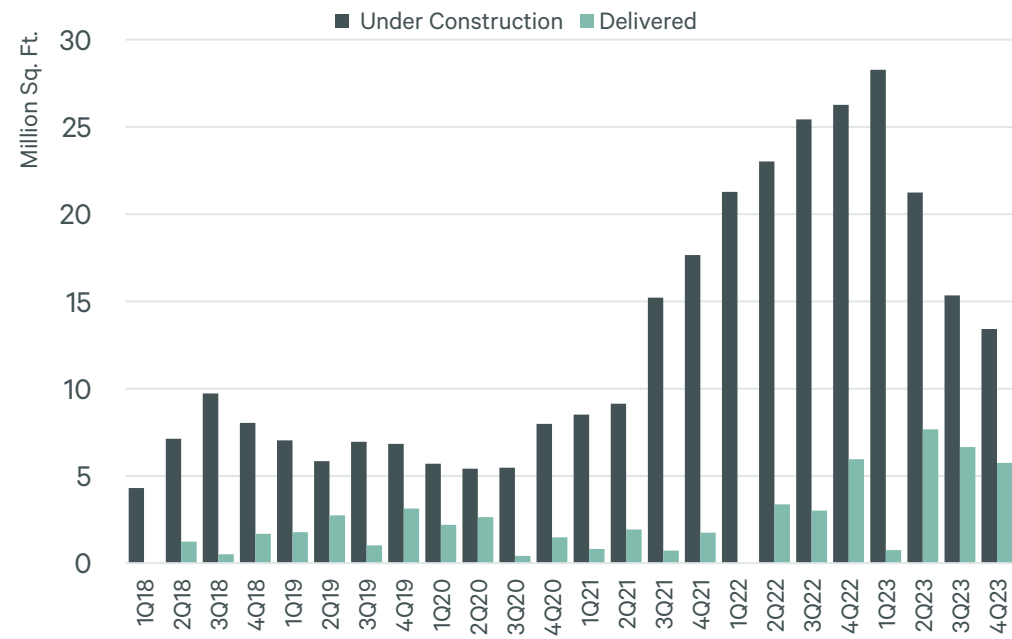
### Capital Markets

The uncertain economic climate and rising interest rates factored into an overall decline in investment activity during the year, like most all real estate markets. The fourth quarter's sales volume recorded \$136.1M. The largest deal was L&B Realty Advisors, LLP acquisition of Coastal Commerce Center II for \$45M from AEW Capital Management and Strategic Real Estate Partners. Moving into 2024, expect the market to produce higher sales volume as interest rates peak.

Under Construction

The development pipeline has fallen to 13.4-million sq. ft. Throughout the year, capital and debt for developers has been difficult to acquire. Also, the rise in interest rates has made underwriting difficult and capital partners held-off on investing as vacancy rates rose over the course of the year. In Q4 2023, 3.3-million square feet of space broke ground with Burlington Coat Factory's BTS of 2.1-million square feet at Interstate West being the largest project to begin construction. Most of the buildings under construction fall within the 100,000 sq. ft. – 500,000 sq. ft. range, which has proven to be a popular space category for those seeking space in the market. The decline in construction starts will lead to significantly less first-generation space in the market in the end of 2024 and early 2025 which will likely result in another significant dip in vacancy in the immediate years to follow.

FIGURE 8: Under Construction & Deliveries



Source: CBRE Research, Q4 2023

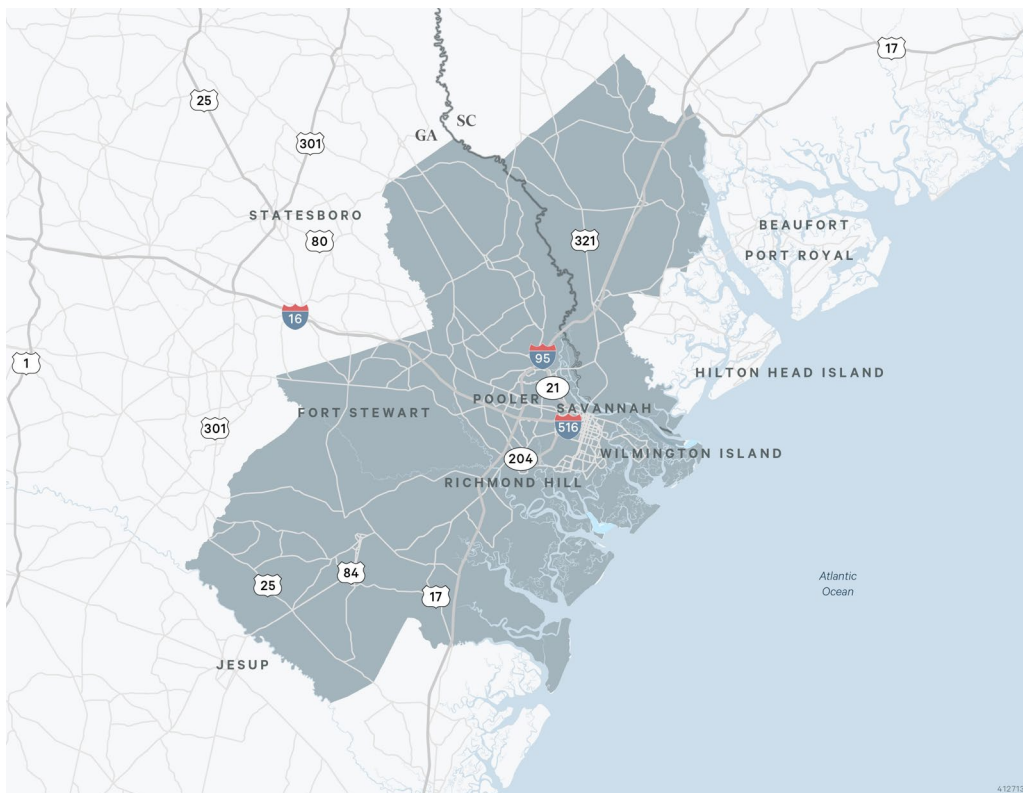
FIGURE 9: Top 5 Deliveries in Q4 2023

Property Name	Property City	Building Size (sq. ft.)	Distance to Port (miles)	Month Completed	Developer
Old Augusta Commerce Center – Bldg. 3	Rincon	1,112,106	10.8	December 2023	Chesterfield, LLC
Interstate West – Bldg. B	Ellabell	992,000	22.0	December 2023	VanTrust
Terminal East – Bldg. 3	Port Wentworth	735,000	5.5	December 2023	Crow Holdings
Beltway Logistics Center	Bloomington	655,370	13.2	November 2023	Savannah Economic Development
DSP I-16 Logistics Center	Ellabell	548,818	21.5	December 2023	Dayton Street Partners LLC
Total Delivered Q4 2023		5,746,879			

Deliveries

During 2023, the Savannah market delivered 21-million sq. ft., the highest in its history. The Old Augusta Commerce Center – Bldg. 3 at 1,112,106 sq. ft. was the largest building to deliver in Q4. Unlike previous quarters, 83.3% of the buildings delivered unoccupied which factored heavily into rising vacancy rates. With the market being tight over the last 5 years, pre-leasing was at the top of tenants’ priorities in order to secure well-located space in newer buildings. With more completed product available in the market compared to recent years, less pre-leasing is evident as tenants are not forced to lease buildings well before their target completion dates.

## Market Area Overview



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## Definitions

**Available Sq. Ft.:** Space in a building ready for occupancy within six months; can be occupied or vacant.

**Availability Rate:** Total available sq. ft. divided by the total building area.

**Big-Box:** An industrial property totaling 200,000 sq. ft. or greater.

**Capitalization Rates:** Also known as “cap rates”; a measure used to estimate rates of return on commercial real-estate properties.

**Clear Height:** The usable height in a building to which an occupier can store its goods on racking. Clear height is measured below any ceiling obstructions such as lights or sprinklers.

**Deliveries:** Completion of required construction for a building.

**Distribution/Logistics:** An industrial property subtype of warehouse/storage designed to accommodate the efficient movement of goods. Distribution space is at least 100,000 sq. ft., office area less than 10%, and clear heights 30 ft. and higher.

**Flex Space:** An industrial property subtype built to allow flexibility of alternative uses. Flex space contains at least 25% office area, high curb appeal, and high parking ratios.

**Leasing Activity:** Square footage committed to and signed under a lease obligation for a space in a given period.

**Net Absorption:** The change in physically occupied square feet from one period to the next period.

**Net Net Net (NNN) Lease Rate:** Rent excludes “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

**Occupied Sq. Ft.:** Building area not considered vacant.

**Shallow Bay:** An industrial property subtype with bay depth of 120 to 200 feet with typical clear heights between 18 and 24 feet.

**Total Rentable Area:** The total rentable floor area square feet of the building.

**Vacant Sq. Ft.:** Existing space not occupied by a tenant. Vacant space can be available or not available.

**Vacancy Rate:** Total vacant sq. ft. divided by the total building area.

**Warehouse/Storage:** An industrial property subtype designed for the warehousing and storage of materials, goods and merchandise. Office area is less than 15% of the space, clear heights of at least 18 ft.

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